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West German industry after the recession
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What Blair could learn from Clinton
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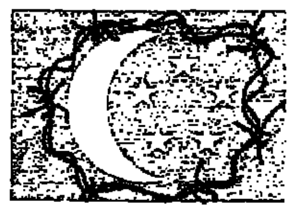

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY SEPTEMBER 6 1994 — D8523A

Brazil seeks to calm investors as shares fall 8.6%

Brazil tried to assure domestic and international observers that the country's latest anti-inflation plan remained on course in spite of the weekend resignation of finance minister Rubens Ricupero. Worries over the resignation and the possibility that it could affect the chances of Fernando Henrique Cardoso, the government's candidate in next month's presidential election, led to an 8.6 per cent drop on the São Paulo stock market by lunchtime, and falls for Brazilian bonds on international markets. Page 16

Metallgesellschaft expects to earn more than DM100m ($64m) in operating profits in the 1994-95 financial year after last week's agreement to staunch losses on controversial oil purchase contracts with Castle Energy of the US. Page 17

Russia's economics revolution: The Russian government said it would establish a series of new institutions teaching market economics, run by a small core of specialists and a circle of associated economists "of the western type". Page 3

S Africa motor strike ends: A five-week strike that paralysed South Africa's motor industry ended as workers agreed to return to factories, but the wage dispute has not been resolved and union leaders say discussions will continue. Page 4

Ex-head of E German Stasi put on trial

Erich Mielke (left), former head of East Germany's Stasi secret police, went on trial in Berlin for the killing of people who tried to flee to the west. German authorities say more than 400 people were killed trying to escape East Germany during the cold war. Mielke, 86, is being tried on six representative cases but says he is frail and unfit for trial. The trial was adjourned for two days when his lawyers accused the presiding judge of bias. Page 2

Bank Austria is looking for international strategic financial partners after the announcement by the federal government that it wants to sell its 22.8 per cent voting stake in the country's largest bank. Page 17

US medical sales rise: Sales of US prescription medicines have rebounded this year in spite of healthcare reforms, while Japanese and European markets for medicines continued to splutter. Page 5

Lufthansa: The latest stage in the German government's privatisation of the national airline is set to go ahead at the end of this month, said Dresdner Bank, which is co-ordinating the international and domestic offerings. Page 17

Swiss charged over 'supergun': Five Swiss businessmen have been charged with knowingly supplying components to Iraq for the so-called supergun in contravention of the Swiss weapons export control law. Page 2

Nigerian ruler bolsters position: The collapse of Nigeria's two-month oil industry strike, aimed at forcing an end to military rule has left Gen Sani Abacha's regime in a strong position and the civilian opposition in disarray. Page 4

ABN Amro: The decision by the Netherlands' bank to use its name on a network of investment banking operations around the world is part of an ambitious plan to raise its profile. Page 17

Quebec warned on independence: Quebec business leaders and other federalists warned of dangers to the francophone province's economic prospects if the Parti Québécois pressed ahead with a quick drive towards independence from Canada after next Monday's provincial election. Page 6

Kyrgyzstan government resigns: The government of the central Asian state of Kyrgyzstan resigned, apparently to strengthen the hand of the pro-reform president, Askar Akayev, against the conservative-dominated parliament. Page 5

Australian MP shot dead: John Newman, 49, a Labor member of the New South Wales state parliament and an outspoken critic of Asian crime gangs, was shot dead outside his home in the largely Vietnamese Sydney suburb of Cabramatta.

VWs for India: European carmaker, Volkswagen of Germany, leading European carmaker, has linked up with Eicher Goodearth, Indian motor vehicle and tractor manufacturer, to produce Volkswagen cars for the Indian market. Page 8

Iraq plans biggest mosque: Engineers in Baghdad have drawn up plans for what they say will be the world's largest mosque. The structure will cover an area 1,800 metres by 700 metres.

US baseball impasse: As America celebrated its first Labor Day holiday without major league baseball, hopes were fading that the deadlock between players and team owners might be broken in time for at least a shortened season. Page 16

■ STOCK MARKET INDICES

FT-SE 100:	3,241.5	(+18.8)
Yield	3.87	
FT-SE Eurotrack 100	1,380.11	(-21.55)
FT-SE-A All-Share	1,620.76	(+0.5%)
Nikkei	20,409.18	(-244.65)

■ LONDON MONEY

3-mo Interbank	5½%	(same)
Liffe long gilt future:	Dec 101	(Dec100⅝)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$15.925	(16.18)

■ GOLD

London	$387.2	(387.25)

■ STERLING

London:

$	1.5481	(1.5448)
DM	2.4052	(2.4101)
FFr	8.2402	(8.2644)
SFr	2.0218	(2.206)
Y	153.644	(153.541)
£ Index	78.9	(78.8)

Tokyo close Y 99.05

The New York markets were closed yesterday

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mland)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Civil airline consortium to set up subsidiary

Airbus to control development of military aircraft

By Bernard Gray in Farnborough

Development and production of the Future Large Aircraft, Europe's proposed military transport aircraft, will be managed by Airbus, the civil airliner consortium, which yesterday announced plans for a military equipment subsidiary.

The move is designed to strengthen the FLA group and help market the aircraft to potential customers, including the Royal Air Force, which is considering buying the FLA or the Hercules aircraft produced by Lockheed of the US.

Announcing the move in a full-scale mock-up of the FLA at the Farnborough International Air Show, Mr Dick Evans, chief executive of British Aerospace, said that Airbus had an excellent record of managing aircraft development projects.

The separate military subsidiary to be formed to handle the FLA will include the Italian aerospace company, Alenia, as well as the four Airbus partners, Deutsche Aerospace, Aérospatiale, British Aerospace and Casa, of Spain.

The consortium estimates that there may be a market for 350 FLA in Europe over the next 20 years. The intention is to provide customers with a fixed-price, fixed-specification programme to reduce the risk of cost over-runs.

Exact shareholdings in the military subsidiary will depend on the financial commitments from the companies involved and their respective governments, and also on the number of FLA each country requires. Shareholdings in the main Airbus Industrie consortium will not be affected by the move.

Page 8

■ Airbus upbeat on FLA
■ R-R wins $20m order

Lex ....Page 16

The share-out of work on the FLA will be determined by similar criteria. British Aerospace hopes to make the wings for the new aircraft, while Italy and Spain are competing for the final assembly line.

Mr Evans said the rapid consolidation of the US defence industry posed challenges for European aerospace companies. "Bringing FLA within the Airbus consortium is one way of deepening ties between European companies," he added.

The FLA is competing with Lockheed's C-130 Hercules to replace the RAF's ageing transport fleet. Lockheed has valid export licences for the UK, but it is under investigation in the US over alleged bribery. It will be that much harder for the UK defence secretary, Mr Malcolm Rifkind, to present an overseas winner if it is also the subject of corruption allegations.

Mr Evans said that the FLA would carry more equipment further and faster than the latest generation C-130J Hercules at lower operating costs. He added that the FLA group would be able to make firm proposals to the UK Ministry of Defence in the first quarter of next year, once full evaluation of the project was complete.

"The FLA is right operationally for the RAF," said Mr Evans. "It is also right economically with lower life-cycle costs and right industrially as it will protect 35,000 high-tech aerospace jobs in Europe. This is our only opportunity for 35 years to become a part of a large transport aircraft programme."

In a separate announcement, Lockheed said that refurbishing the existing RAF Hercules fleet until the FLA became available in 2002 was not an option.

Abortion should be legalised, Mrs Gro Harlem Brundtland, the Norwegian prime minister, told the United Nations population conference in Cairo yesterday. She implicitly accused the Vatican and Islamic clergy of hypocrisy for opposing the proposed text for the UN final document on the ground that it condoned abortion and extramarital sex. Bruntland cuts to heart of Cairo conference, Page 5; UN population conference hits language barrier, Page 16 Picture: Associated Press

UK moves to ease deadlock over IRA ceasefire

By John Murray Brown and Tim Coone in Belfast and James Blitz in London

In a new attempt to break the deadlock over the wording of last week's IRA ceasefire declaration, the British government yesterday invited republican leaders to state unequivocally that their intention is to end the violence for good.

Sir Patrick Mayhew, the Northern Ireland secretary, said yesterday: "We are not insisting on a particular form of words. We just need to have an unequivocal assertion that they intend it should be over for good."

Sir Patrick's remarks appeared to indicate that a response based on republican intentions rather than a more specific phrasing could be sufficient to open the door to talks with Sinn Féin.

Referring to the differing interpretations of the British and Irish governments of the IRA statements to date he said he had no doubts about Dublin's sincerity in accepting the IRA had ended its campaign, but said "we have to be satisfied from what these people say themselves about their own intentions".

Sir Patrick was due to meet in Belfast last night with Mr Dick Spring, the Irish foreign minister. The meeting aimed to try to agree a common response to the ceasefire and also to discuss progress on a framework document on new constitutional arrangements for the province, due to be tabled at inter-party talks later this year.

Mr Spring was also expected to brief Sir Patrick on his meeting in the US with President Bill Clinton. Downing Street officials yesterday played down suggestions that Mr Gerry Adams, the Sinn Fein leader, was about to receive permission from the US authorities to make a wide-ranging tour of American cities.

Sinn Féin officials said they were examining the possibility of a visit to the US by Mr Adams and other republicans, including Mr Martin McGuinness.

A Downing Street spokesman said that the US government had given no formal indication to

Continued on Page 16

Kohl plays down plan for multi-speed EU

By Lionel Barber in Brussels and James Blitz in London

Chancellor Helmut Kohl of Germany has sought to quell a diplomatic storm over his ruling Christian Democrat party's proposals to create a "hard core" of five nations in a multi-speed European Union.

After the UK joined protests from Denmark and Italy, Mr Kohl distanced himself publicly yesterday from the proposals put forward last week by Mr Wolfgang Schaüble, parliamentary leader of the CDU-CSU coalition group.

Mr Dieter Vogel, chief government spokesman, disclosed that Mr Silvio Berlusconi, the Italian prime minister, had telephoned Mr Kohl yesterday and that the Chancellor had reassured him, along with other EU leaders, that the CDU-CSU paper was not official German policy.

"It is not a paper which has been agreed with the government," said Mr Vogel. He said Mr Berlusconi was "satisfied with the explanation".

However, Italian officials expressed surprise that Mr Kohl had failed to step in earlier.

Speculation grew in European capitals that Mr Kohl may have given the paper his unofficial blessing, in order to float a "trial balloon" ahead of the 1996 intergovernmental conference to review the Maastricht treaty.

Several of the Chancellor's closest advisers are known to favour a public debate to head off misunderstandings and reach clear decisions on future EU integration at the 1996 conference.

The CDU-CSU paper calls for France, Germany, Belgium, the Netherlands and Luxembourg to press ahead faster with European integration. A day before it was published, Mr Edouard Balladur, French prime minister, suggested a "three-tier" Europe with the Franco-German alliance at its core; but he did not name names.

On Friday, the Italian foreign ministry warned that the CDU-CSU paper could risk the "break-up" of the EU. Mr Klaus Kinkel, German foreign minister and head of the FDP liberal party, the government coalition partner, condemned the paper.

Mr John Major, UK prime minister, intends to deliver a riposte in a speech on Europe in the

Continued on Page 16

Choice demonstrates changing attitudes to Brussels

Cresson and de Silguy named as French EU commissioners

By David Buchan in Paris

France's new European commissioners are to be Mrs Edith Cresson, a former Socialist premier, and Mr Yves-Thibault de Silguy, the top official in charge of trade and European policy in the office of Mr Edouard Balladur, the prime minister.

The contrasting pair illustrate changing attitudes in Paris to the European executive. France's outgoing Socialist president, Mr François Mitterrand, has nominated an ex-premier. Mr Balladur, the Gaullist premier, in naming a bureaucrat, has chosen to underline the new French conservative desire to see commissioners as technocrats under the political thumb of European Union ministers.

The issue of seniority between France's two commissioners has been made less acute by the Maastricht treaty which limits the number of commission vice-presidents to one or two, at the president's choice. In a college of commissioners which presently number 17, but with Nordic and Austrian enlargement, could rise to more than 20, it is not clear that either of the French appointees would make vice-president.

Mr de Silguy served in the Brussels office of French commissioner François-Xavier Ortoli in

Edith Cresson, chosen by France as an EU Commissioner

the early 1980s, and spent 1990-93 with the state-owned Usinor-Sacilor steel company. He is known to be interested in either the competition or external trade dossiers presently held by Mr Karel Van Miert, of Belgium, and Sir Leon Brittan, of the UK, respectively.

Some other commissioners – and governments – will be wary, however, of seeing such portfolios pass into French hands. Mr de Silguy orchestrated France's negotiations for the General Agreement on Tariffs and Trade, and some of the toes he trod on in Brussels remain bruised.

Mrs Cresson is most remembered in France for her unpopular stint as prime minister in 1991-92. However, she remains personally close to Mr Mitterrand, whose desire to grant her wish to go to Brussels posed Mr Balladur a problem of political imbalance with his choice. But he decided that the choice of Mr de Silguy, who has also worked for Mr Jacques Chirac, the leader of the RPR Gaullist party, would be impossible for his presidential rival to oppose.

This autumn, Mr Jacques Santer, Luxembourg's present prime minister and the commission's president-elect, will preside over the distribution of portfolios among the new commissioners taking office next January.

Michael Lindemann in Bonn writes: Mrs Monika Wulf-Mathies, 52, leader of Germany's OTV public sector union for 12 years, looks set to become one of her country's two European commissioners after she was proposed by the opposition Social Democratic party. However, her formal nomination will depend on cabinet approval. She would be the first woman to represent Germany on the Commission.

A new Commission formally begins work on January 7 but not before the European parliament has approved all 17 members.

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NEWS: EUROPE

Swedish opinion polls give election campaign hefty jolt

Hugh Carnegy on a walk-over that has suddenly become a race

SWEDISH ELECTIONS
September 18

Sweden's general election, for weeks apparently little more than a triumphant victory march for the opposition Social Democratic party, has suddenly acquired an air of uncertainty which has revitalised the campaign with less than two weeks to go. Opinion polls published since Sunday showing a slide in Social Democrat support and a marked swing to the Left and Environment parties not only jolted politicians. They alarmed financial markets which for the past two months have pushed up interest rates and driven down the krona because of concern about the yawning budget deficit.

The prospect of a minority Social Democratic government reliant on a resurgent red-green camp for a parliamentary majority yesterday helped knock more than 2 per cent off the Stockholm stock exchange general index and send five-year government bond yields up more than 40 basis points to more than 11 per cent. Such levels of interest rates already threaten to choke off Sweden's faltering recovery.

What upset the markets and the Social Democratic leadership was not so much the fall in support for the party to below 50 per cent – in one poll the reverse was enough to deny it the parliamentary majority most polls have predicted throughout the summer. Even the mighty Social Democrats, who have ruled Sweden for most of the past 50 years, have rarely achieved such a position in recent times and Mr Ingvar Carlsson, party leader, has long been braced for a slip.

What he did not anticipate was such a powerful shift to the left, including the projected return to parliament of a resurgent Environment party, which failed to overcome the 4 per cent entry barrier to parliament in 1991. The leftward shift was apparently prompted by the Social Democrats' recent espousal, albeit reluctantly, of a programme of public spending cuts to trim the deficit and curb Europe's fastest rising state debt.

Meanwhile, the four parties in the governing right-centre coalition – Prime Minister Carl Bildt's conservative Moderates, the Liberal and Centre parties and the Christian Democrats – fell back in the polls to less than 40 per cent together.

This undermined Mr Carlsson's (and the markets') preferred option should he fail to win a majority: to forge either a formal or informal alliance with the Liberals, or possibly the Centre party, aimed at gathering broad parliamentary support behind a rigorous, long-term fiscal policy.

The shock of the poll results was enough to shake Mr Carlsson out of what had seemed a severe case of election complacency. Last week, he retired to a mountain holiday house for three days to rest and plan for government. He repeatedly refused to meet an increasingly desperate Mr Bildt in a face-to-face television debate.

Then, on Sunday, he agreed, and within hours the two men were on air in a strikingly hostile confrontation which clearly illustrated the ideological split between them. Mr Carlsson insisted that three years of "new liberalism" under Mr Bildt had failed and promised investment to tackle unemployment (now running at 14 per cent) of the workforce).

For his part, Mr Bildt attacked the Social Democratic plan to raise income, capital and wealth taxes and said a return to traditional Social Democrat welfare policies would be a disaster for Sweden. He warned voters not to "buy a pig in a poke" from a "red-green mess that will undermine Sweden's credibility".

The dispiriting reality for Mr Bildt, however, is that so far the polls show no sign of enthusiasm among voters for continuing his campaign to reform Sweden's overweight public sector and put the emphasis of job creation on the private sector through favourable income, corporate and capital tax regimes.

Instead, the latest leftward swing has put pressure on the Social Democrats to stiffen their commitment to the welfare state. This at a time when – despite some benefit cuts by the present government – recession has pushed up public spending to a record level equivalent to almost 70 per cent of gross domestic product, by far the highest in the Organisation for Economic Co-operation and Development.

Many in the Social Democratic leadership acknowledge that this imbalance has to be tackled. Hence their preference to work with the Liberals, whose leader Mr Bengt Westerberg supports the welfare state and has a friendly attitude towards the Social Democrats. However, the polls have shown Liberal support slipping as low as 6 per cent, compared with their 9.1 per cent showing in the 1991 general election.

If the party stumbles badly on September 18, Mr Westerberg has indicated he will step down as party leader, throwing the issue of cooperation or coalition with Mr Carlsson further into doubt.

The apparent march to victory of Mr Ingvar Carlsson (top) has been put in doubt, but the news is small comfort to Mr Carl Bildt (above), the prime minister *Pictures: Jesper Dijohn, Lydia van der Meer*

Five Swiss on 'supergun' charge

By Ian Rodger in Vienna

Five Swiss businessmen have been charged with knowingly supplying components to Iraq for the so-called supergun in contravention of the Swiss weapons export control law.

The supergun, which was apparently designed to fire a tonne of anthrax on Israel, has already become a *cause célèbre* in the UK. A trial of British businessmen for supplying components for the supergun and other Iraqi military projects collapsed spectacularly in November, 1992 when it emerged that ministers had approved the activity and suppressed evidence. The Swiss charged are four employees of Von Roll, a large metals group, and a director of the trading company, Uldry. A federal prosecutor has submitted the case to the federal court in Lausanne, which now has to decide whether or not to proceed with it.

Von Roll said in a statement yesterday that it stood fully behind its employees. After a thorough internal investigation, it was convinced that none of its employees sent any materials to Iraq which would have required export approvals. The company said it had received a number of orders between 1988 and 1990 from the Iraqi Ministry of Industry.

They involved the supply of various machine parts, including cylinders, which according to the client's declaration were intended for forging presses. Only belatedly did it become clear that the client's real purpose was not as had been declared.

"Apparently, the Iraqi client intended to use the components for the construction of a so-called supergun, a cannon whose size and weight was several times greater than any ever seen. Whereas the greatest barrel length seen in the last 20 years was 37 metres with a calibre of 150 millimetres, the supergun had a barrel length of 157 metres and a calibre of 1,000mm.

"That the machine parts could be used for a weapon had already been ruled out because of their size. Our employees could not have foreseen the possibility of these parts having a military use," it said.

Italy's Northern League in purge

Italy's Northern League party yesterday expelled three prominent critics of its tough-talking leader, Mr Umberto Bossi, in a purge of dissenters, Reuter reports from Milan.

A party statement said the expulsion of Mr Franco Rocchetta, Ms Marilena Marin and Mr Vittorio Aliprandi, all members of parliament from the Veneto region of north-east Italy, had been decided unanimously by the movement's ruling federal council.

Mr Rocchetta, a junior foreign minister in Italy's coalition government who holds the largely honorary rank of League president, has accused Mr Bossi of running a dictatorship. He told Italian reporters in Berlin, where he was attending a European conference, that the federal council was "a prison in which every voice of dissent is smothered".

In an apparent reference to Mr Bossi, he said it was "peculiar that of the more than 20 members of the council only one understands anything about politics ... like a second Mao". Mr Rocchetta led internal criticism of Mr Bossi's rumbustious brand of politics last week after the League leader hit the headlines with bizarre claims that he had personally prevented an armed revolt by northern Italians incensed at corruption in Rome in the mid-1980s.

Mr Bossi followed this up with uncorroborated claims that the prime minister, Mr Silvio Berlusconi, was plotting to hold snap elections to rid his fragile four-month-old coalition of the League, which provides its parliamentary majority.

Mr Bossi has engaged in a near non-stop slanging match with Mr Berlusconi, whom he accuses of trying to brake the League's federalist ambitions. Last week Mr Bossi offered to resign as the League's federal secretary, the effective leadership post, if members wanted but pledged to root out his enemies if he stayed in the job.

A League statement headlined "Big Purge in the Northern League" said Mr Rocchetta and Ms Marin had been expelled for trying to damage the movement. It accused them of plotting to form a single party with Mr Berlusconi's Forza Italia "in order to delay federalism". Mr Aliprandi was expelled for "being in cahoots with Marin and Rocchetta", the statement said.The three have the right of appeal.

Nuclear industry urged to improve reputation

Mr Hans Blix, director general of the International Atomic Energy Agency (IAEA), said yesterday the end of the cold war should make nuclear power more acceptable but the industry was still tainted by scare reports of plutonium trafficking and safety breaches, Reuter reports from Vienna.

Mr Blix said more countries would adopt nuclear power to generate electricity only if the industry continued to demonstrate its safety and environmental advantages.

Mr Blix said in a speech opening a four-day conference on the future of nuclear power said it is regrettable that the issues which now dominate the media "tend to create an atmosphere in which it is difficult to have a balanced public discussion of the nuclear power option". Delegates among the 200 experts from 37 countries stressed the need for global co-operation on safety and new technology.

Mr Blix said alarm over plutonium trafficking and the nuclear programmes of such states as Iraq and North Korea had overshadowed the benefits of nuclear power.

"Disturbing as some of these developments are, they do not negate the overriding trend towards ever greater international co-operation to promote the peaceful use of nuclear energy," he said.

Russian nuclear experts in Vienna said Moscow's dependence on nuclear power could double by 2010 but any further boost in output would depend on safety and cost. Russia has 29 nuclear reactors, producing 12.5 per cent of its electricity supply. Four more are under construction.

Mr Viktor Sidorenko of Russia's Atomic Energy Ministry told the conference that new plant designs were based on modern safety regulations and old units were now subject to stringent annual security checks. "International collaboration and co-operation have become an integral part and condition for activities in the field of nuclear power in Russia," Mr Sidorenko said.

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EUROPEAN NEWS DIGEST

Polish bank chief warns

The independent powers of Poland's central bank are under threat, Ms Hanna Gronkiewicz Waltz, the bank's president, has warned. Her claims, made in a newspaper interview, come amidst a row with Mr Grzegorz Kolodko, finance minister, who wants the bank to lower its base rates and thus cut both the internal and external debt service burden. The central bank, pointing to an alarming growth in money supply in July, due mainly to the trade surplus and mounting foreign currency reserves, wants to keep rates at their annual 31 per cent level. At the same time, the bank wants to lower the crawling peg mechanism from its monthly 1.6 per cent zloty devaluation to 1.5 per cent, a measure the finance ministry, in turn, is resisting.

Yesterday, Ms Waltz questioned the government's 16 per cent inflation projection for next year and said this year's 23 per cent target was unrealistic given current 30 per cent inflation. Mr Kolodko has said that an interest rate cut and the switch to a lower devaluation rate should be linked. He has also suggested that the bank should lose its supervisory powers and a separate agency be established. Ms Gronkiewicz Waltz, nominated by President Lech Walesa, yesterday said the government "wanted to establish political control over the banking system". *Christopher Bobinski, Warsaw.*

Mitsotakis bribe allegations

An investigating committee has asked the Greek parliament to bring criminal charges against Mr Constantine Mitsotakis, the former prime minister, over allegations that he accepted bribes in the 1992 sale of a state cement concern. Officials said the parliamentary committee handed a petition to Mr Apostolos Kaklamanis, parliamentary president, asking that Mr Mitsotakis and two of his former ministers be tried by a special 13-judge criminal court. Mr Kaklamanis must now set a date within the next month for a debate and vote on whether to lift the immunity of Mr Mitsotakis, who was conservative prime minister from 1990 to 1993, and send him for trial. The 300-seat parliament, where the governing Socialists have a clear absolute majority, has already voted in a separate case to try Mr Mitsotakis on charges of illegal wiretapping. Mr Mitsotakis is accused of accepting $22.5m in bribes in the sale of the state-run Heracles cement company to Italy's Calcestruzzi Cement and Greece's National Bank for $225m. *Reuter, Athens*

Russia expects to meet IMF

Russia's deputy prime minister, Mr Alexander Shokhin, said yesterday he expected the International Monetary Fund and Russia to hold talks by the end of October paving the way for a $4bn standby loan. Moscow would then be able to resume talks with the Paris Club of western government creditors. Mr Shokhin, Russia's chief debt negotiator, said an IMF delegation would come to Moscow this week to meet members of the government. Another delegation would come after the IMF annual meeting due to take place October 3-4 in Madrid. Russia, which took over responsibility for servicing the debts of the former Soviet Union when it fell apart in late 1991, owes western creditors about $80bn. The IMF has already lent Russia $3bn to help buttress the economy. Further loans will depend on Moscow's willingness to press ahead with its economic reforms. *Reuter, Moscow.*

Brussels probes VW deal

The European Commission said yesterday it would investigate a plan by Volkswagen to acquire Sachsische Automobilbau (SAB), a former East German state-owned car factory, from the Treuhand privatisation agency. Brussels said the German carmaker's bid for 87.5 per cent of SAB's shares could fall under its merger rules, but reserved a final decision. In July, it cleared the way for VW to receive around DM1.2bn in subsidies toward its investment in SAB. The Commission has four weeks to decide whether the link-up could harm competition. If it finds "serious doubts" about the transaction, it must launch a deeper probe. *AP, Brussels.*

Hungary-Romania pact talks

The Hungarian and Romanian foreign ministers said yesterday they would restart negotiations for a much-delayed friendship treaty between theirstates. The Romanian foreign minister, Mr Teodor Melescanu, who yesterday became the most senior Romanian government figure to visit Hungary officially since the end of communism in 1989, said he hoped the treaty would be completed by May 1995.Previous negotiations broke down in August 1993 on border and ethnic minority issues. Mr Laszlo Kovacs, the Hungarian foreign minister, said normalising relations with Romania was a priority of Hungary's new government and that Budapest was prepared to state in the treaty it had no territorial claims on Romania – Bucharest's key condition for signing. In return, he hoped Romania would grant its ethnic minorities human rights according to European norms. Romania's treatment of its 1.6m-strong ethnic Hungarian minority has been a frequent source of tension between the two countries. *Virginia Marsh, Budapest.*

Mielke trial adjourned again

Mr Erich Mielke, 86, one-time boss of former East Germany's Stasi secret police, yesterday once again side-stepped the German judicial system after his defence accused the presiding judge of bias. The trial in Berlin was adjourned after 25 minutes when lawyers for Mr Mielke accused the judge, of bias because he had visited the former Stasi boss in prison last week. Mr Mielke's defence has said it will try to have the case dropped on the grounds that the defendant is too old. Mr Mielke first went on trial with Mr Erich Honecker, the former East German leader, in November 1991 but was later sentenced to six years imprisonment for the murder of two Berlin policemen in 1931. To simplify the trial, Mr Mielke is now accused of murdering a nominal six people who tried to cross the Berlin Wall. *Michael Lindemann, Bonn.*

No German lottery winner

Germany's record lottery jackpot failed to find a winner for the tenth week, rising to DM42m (£17.4m) ahead of the next draw on Saturday. Lottery officials said yesterday no winning card had been turned in for the latest weekly draw, which would have netted a top prize of over DM35m. Ten players each won DM1.9m for getting six of 49 numbers right, but winning the jackpot requires seven numbers. Germans have succumbed to lottery fever as the jackpot has mounted and bought more than 30m cards last week, with some help from eager players who come over from neighbouring countries. *Reuter, Berlin.*

ECONOMIC WATCH

German wholesale setback

German wholesalers saw turnover in July fall to DM78bn (£32bn), a real 4 per cent lower than during the same period last year, according to figures released by the federal statistics office, belying other statistics which suggest that Germany's recovery is gathering pace. In nominal terms, including seasonal factors, the sales figure fell by 1 per cent. Wholesale turnover in the first seven months of this year totalled DM567bn, nominally 1 per cent higher than the very low levels last year when the country was feeling the full force of its worst post-war recession, and flat in real terms. Analysts have suggested that the poor wholesale figures reflect higher demand for investment goods and exports as the economy recovers. High unemployment and a zero wage round have dampened consumer demand so far this year. *Michael Lindemann, Bonn*

■ Spain's official currency reserves rose by $89.50m in August from July, according to provisional figures released by the Bank of Spain yesterday. The official reserves stood at $44.85bn as of August 31, the central bank said.

NEWS: EUROPE

Yeltsin provokes anger of both left and right

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, who returned to holidaying in Sochi after visiting Germany and welcoming the Chinese leadership to Moscow, might well be tempted to extend his stay after coming under fire from both ends of the political spectrum.

In Moscow yesterday, Mr Boris Mironov, a junior minister who headed the state press committee before being sacked for expressing extreme nationalist views, launched a stinging attack against the president, accusing him of failing to defend Russia's interests. He said Mr Yeltsin had "viciously rooted out" Russian patriotism and no longer deserved the trust of the people.

"Russia was and remains a great power whose revival and return to its former position in the world is feared by other countries who have declared themselves to be the leading seven," he said. Mr Mironov said Mr Yeltsin had rejected a programme of national revival needed to remedy Russia's "spiritual crisis".

Mr Mironov was sacked on Friday after declaring "if Russian nationalism is fascism, then I am a fascist" and suggesting that greater restrictions should be imposed on the media.

The liberal press reacted with outrage with one newspaper comparing Mr Mironov's remarks to those of the Nazi propaganda chief, Josef Goebbels. A government spokesman explained Mr Mironov's removal had shown how the authorities reacted to the popular mood.

But Mr Mironov defended himself at his former place of work yesterday despite attempts by his superiors to cancel the meeting. He rejected charges of anti-Semitism and accused the so-called democratic papers, with the help of the president, of whipping up a "hysterical campaign" against him.

However, Mr Yeltsin cannot rely on the uncritical support of the liberal media.

A front-page article in Izvestia over the weekend criticised Mr Yeltsin for his behaviour in Germany when television pictures showed him stumbling after drinking at a state luncheon and then insisting on conducting an orchestra.

The newspaper, which has until now been a staunch defender of Mr Yeltsin's presidency, said Russians had watched the withdrawal of their troops from Germany with pride in what had been achieved in 1945.

"But there were also completely different minutes in which millions of our compatriots experienced completely different feelings of awkwardness, if not of shame," it said.

The newspaper compared Mr Yeltsin's behaviour with that of former Soviet leader Nikita Khrushchev, when he banged his shoe on the table at a United Nations meeting.

Plan for western-style research bodies and schools to be established soon

Russia boosts economics teaching

By John Lloyd in Moscow

The Russian government yesterday shattered the inert world of post-Soviet academic economics by announcing that it would establish a series of new institutions teaching market economics.

Even more radically, it announced that the new economic research institutes would not contain "several hundreds of people" as in Soviet days, but would be lean, stripped-down think tanks with a small core of specialists and a circle of associated economists – "of the western type".

The announcement appears to signal the end of a prolonged period in which economic teaching has languished in a trough between full-blown Marxist-Leninist command economics and a market-driven approach.

Announcing the move, Mr Alexander Shokhin, deputy prime minister and himself a former academic, said that "unfortunately even the financial crisis in the academy in Russia did not succeed in destroying the old-fashioned academic approach – so that what you have in the world of institutes are monsters with several hundred researchers which attract finance according to a head count. We call on the Academy of Sciences to break with this old system".

However, as Mr Shokhin said, the Academy has so far failed to respond – forcing the Economics Ministry in concert with the committee on higher education to reshape economic teaching round two main institutions – the Higher Economic School, established two years ago, and a separate but linked Academy of Contemporary Economics.

'What you have in the world of institutes are monsters with several hundred researchers which attract finance according to a head count. We call on the Academy of Sciences to break with this old system'

The School is already largely dedicated to teaching teachers of economics and will extend this work; the academy is designed to be self-financing, offering paid courses to business people and others on the stock market, macro- and micro-economics and accountancy.

Mr Shokhin said that Russia "must offer the same level of education in economics as other leading countries in the world" – stressing that he saw the new institutes, and their regional affiliates, as forcing houses for central and local government officials with the loss of an established aversion to the market. Mr Vladimir Kirelov, the minister for higher education, said that "it is important people know what is happening in the Russian economy".

The academic godfather of the school is the remarkable Professor Yevgeny Yasin – a man whose name has been linked to economic reform ever since Mr Mikhail Gorbachev tried and failed to breathe some reformist life into a decaying communism in the late 1980s, but who has never been so identified with any one programme or faction as to join the other casualties littering the road to reform. Mr Shokhin, himself the only senior survivor from the first Russian cabinet of 1991, noted that he and Prof Yasin had helped form a club of reform economists working in the government – "but since many of these who had been part of it have since ceased to play leading roles, it has been wound up".

Mr Yasin is likely to take the position of president of the new academy – though the energy and initiative for the project comes from Mr Yaroslav Kuzminov, provost of the Higher Economics School – who has doggedly pushed for reform of the teaching of economics for two years and yesterday appeared to see it bear fruit.

Mr Yasin said that "a lot of what is written about reform here and its effects by journalists and publicists is an emotional reaction and one not really informed by knowledge of how a modern economy works.

What we have discovered in the last few years is that an economist can be very well educated in the economics of Marxism-Leninism and be not at all educated as aneconomist".

He said that there was a need for specialists to work in the government departments dealing with the economy. "This initiative that we academics and professors are starting is not for us and our generation – it is for the students of today and tomorrow".

The programme is being assisted by an Ecu5m (£3.9m) from the European Union and will be linked with the Erasmus University in Amsterdam, the University of Paris 1, together with Milan, Oxford and Cambridge universities.

Part of the EU grant has gone to purchase copies of the textbook "Economics" by David Begg, Rudi Dornbusch and Stanley Fischer – described by Mr Michael Emerson, the EU ambassador in Moscow and himself a distinguished economist, as "the best of its kind".

Mr Dornbusch has been a sometime adviser to both the Russian and the Ukrainian governments – while Mr Fischer is now in place as the first deputy managing director at the International Monetary Fund, where one of his key tasks will be reviewing the Fund's work on Russia.

He will no doubt be gratified that soon, the new economists will be speaking his language.

General awaits call of destiny

Gen Alexander Lebed is a man who makes the Kremlin nervous, writes Chrystia Freeland

EUROPEAN PROFILE

In a Russia which is desperately short of heroes, General Alexander Lebed's popularity is on the rise. Commander of the 14th army in the Trans Dnestr enclave, the tall, broad-shouldered, blue-eyed officer appeals to Russians looking for an alternative to the discredited communist bosses of their past and the uncertain, sometimes blundering democratic leaders of the present.

At Gen Lebed's headquarters in Tiraspol, the impoverished capital city of the Trans Dnestr Republic which broke away from Moldova three years ago, hero-worship is strong. As they sweep invisible dust off the driveway, the immaculately uniformed young soldiers of the 14th army cannot find enough superlatives to describe their "comrade leader": he is "as intelligent as Albert Einstein and as strong as Arnold Schwarzenegger", "a second Suvorov, a second Kutuzov" (two of Tsarist Russia's greatest military leaders), "in all ways a remarkable man".

The past few weeks have demonstrated that Gen Lebed's writ runs beyond Tiraspol. The Kremlin has felt uneasy about Russia's most popular officer since this spring, when Gen Lebed told a Russian newspaper that his country needed a man like Pinochet, the Chilean military dictator, and described the Russian president, Mr Boris Yeltsin, as "a minus". However, when Russia's top brass – which is losing its grip over regional commanders throughout the former Soviet Union – took on the outspoken general in August, trying three times to oust him, Gen Lebed won. Adoring Russians responded last week by electing Gen Lebed to the "Olympus" of Russia's 100 most popular politicians, a list compiled monthly by the pollsters at Nezavisimaya Gazeta, one of Moscow's top daily newspapers.

Ranked as the nation's 13th most popular leader, Gen Lebed drew more support than better known hard-liners such as Mr Vladimir Zhirinovsky, the neo-fascist politician, and out-scored Mr Yegor Gaidar, the standard bearer of market reforms.

But while, in the public eye, Gen Lebed appears to be rapidly growing into a leader of national stature, he is careful not to express open political ambitions.

"In these times of troubles, I cannot rule out anything," is Gen Lebed's careful answer to the question of whether he will one day be the leader of all Russia. "But I will do anything my country requires. I have served my country in foreign wars and civil wars. Whatever my country needs, I am not afraid to do."

On the topic of what it is that his country needs, Gen Lebed is more forthcoming. "What's wrong with a military dictator?" the general asks, recrossing long legs clad in camouflage fatigues which look freshly pressed even late in the evening and enormous black boots gleaming with polish. "In all of its history, Russia has prospered under the strictest control. Consider Ivan the Terrible, Peter the Great, Catherine the Great or Stalin."

Gen Lebed's critique of Russian democracy is delivered with the calm assurance of a battle-tested officer and the smooth charm of a gentleman.

General Alexander Lebed, commander of Russia's 14th army

"What our country is trying to do now is completely impossible," Gen Lebed explains, offering imported Danish biscuits and rising to prepare coffee. His intense gaze helps to explain his soldiers' slavish devotion, but does not detract from the toughness of his message. "Our leaders have said, 'for centuries our state has been totalitarian but starting this minute we will be a democratic state'. This is just not possible. After all, we are still Soviet people."

Gen Lebed is also convinced – and many sophisticated political observers would say he is right – that the democratic order Russian leaders have struggled to build at such great cost is a matter of absolute indifference to most Russians: "Most Russians don't care whether they are ruled by fascists, or communists or even Martians as long as they are able to buy six kinds of sausage in the stores and lots of cheap vodka."

Although Gen Lebed shares some of the hard-liners' preoccupation with Russia's lost power – he speaks sadly of Russia, with "our proud history", now reduced to blindly following recipes "dreamed up in Arkansas" – he is no neo-imperialist.

He says he refused an offer to become the minister of defence in the Central Asian republic of Tajikistan because "why should I help one group of Tajiks kill another?"

This sober realisation that Russia's greatness cannot be recaptured through force of arms in foreign countries is only one way in which Gen Lebed differs from Russia's civilian hard-liners, whom he dismisses as "dangerous populist fanatics".

As a decorated Afghan veteran he embodies a military order leaders like Mr Zhirinovsky can only describe and as a central figure in the defeat of the 1991 hard-line coup, democratic politicians cannot accuse Gen Lebed of undue sympathy for the old, vanquished regime.

But, for all his insistence that order and discipline are the keys to Russia's renewal and his coy disavowal of any overt political role, Gen Lebed has a rather idiosyncratic notion of the command structure to which he is subordinate.

"I have never served Tsars, or Commissars or Presidents," Gen Lebed says. "They are mortal men and they come and go. I serve only the Russian state, and the Russian people, which are eternal."

Russian troops on full alert over Caucasus fighting

By Our Foreign Staff and agencies

Forces loyal to Mr Dzhokhar Dudayev, president of the break-away Chechen republic, yesterday seized a rebel strong-hold. Mr Dudayev's victory comes in the wake of stepped-up Russian efforts to unseat the separatist leader by backing pro-Russian opposition forces.

The escalation in the fighting in Chechnya prompted General Pavel Grachev, the Russian defence minister, to put Russian military forces in neighbouring regions on "full combat alert" in an effort to prevent the Chechen conflict from spreading to other parts of the volatile Caucasus.

According to the Russian news agency Interfax, Mr Grachev also said that military check-points would be established on roads leading to Chechnya and Russia would tighten its control over Chechen air-space to prevent Chechen aircraft from harassing targets in Russia.

But despite the tightening of the Russian military net around the borders of the break-away republic, Mr Dudayev's seizure of the town of Argun early yesterday morning represents an important internal victory. Twenty kilometres east of Grozny, the Chechen capital, Argun was the strong-hold of Mr Ruslan Labazanov, a 26-year-old rebel warlord who controlled one of the two leading factions opposed to Mr Dudayev and who has vowed a blood-feud against the president.

Mr Dudayev's victory, in a battle which Russian reports said claimed dozens of lives, underscores the dangers attendant upon Russia's controversial policy towards the breakaway Caucasus republic. Chechnya's assertion of independence three years ago has set a precedent which Russia fears other regions might be tempted to follow. Mr Dudayev's defiance of Moscow has also been perceived as a humiliation to which President Boris Yeltsin, keen not be be outflanked by right-wing politicians, has felt obliged to respond.

Greeks take the route to central Asia

Entrepreneurs are seizing their chance to follow the trail of Alexander the Great, writes Kerin Hope

One short business trip was all it took to persuade Mr Pericles Tsompos, an Athenian importer of hides, that Uzbekistan was a place where Greek entrepreneurs could flourish.

Mr Tsompos paid \$200,000 (£129,000) to dismantle the contents of a bankrupt Greek match factory and transport it by train to Tashkent, where he set up a joint venture with the Uzbek Timber and Construction Ministry to start producing matches.

The \$6m investment, in which Tsompos Holdings and other Greek partners hold a 37 per cent stake, was designed to profit from the collapse of the centrally planned economy in the former Soviet Union. "Every box of matches sold in Uzbekistan used to be imported from Moscow, so this was clearly an opportunity not to be missed," says Mr Tsompos.

The risk involved in investing in the ex-Soviet republics does not seem to deter the Greeks. Some Greek businessmen maintain this is because they are used to working in a politically volatile environment at home, often without the help of formal asset evaluations, bank financing or even export guarantees. Mr Tsompos has also opened a hard currency shop in Tashkent's museum of modern art, in partnership with the Culture Ministry. It serves as a showcase for manufacturers of Greek consumer goods, bringing in orders from Uzbek importing companies.

Tsompos Holdings' latest venture was to become the Greek representative of Uzbekistan Airways, the state carrier formed when the Aeroflot fleet was divided up among the former Soviet republics. The Athens-Tashkent flight every two weeks carries both businessmen and cargo.

Mr Tsompos now plans to offer package tours to Samarkand and Bokhara in co-operation with the Uzbek state tourist organisation, "to cater for people wanting to follow the trail of Alexander the Great through central Asia".

Other Greek entrepreneurs have started to follow Mr Tsompos, forming joint ventures with state-owned processors of marble and astrakhan. Before long, more secondhand machinery should start arriving from Greece, as it is time to give Uzbekistan's neglected fruit and vegetable processing industry a boost.

For Greeks who want to do business in central Asia, it helps that Alexander Makedonska is almost as familiar a name as Tamerlane the Great. Another factor is an influential, though diminishing, Greek community in Tashkent, originally refugees who fled when the communists were defeated in Greece's civil war in the 1940s. "There's no doubt that being part of the local heritage helps to open doors for Greek businessmen," says Mr Yannis Tzen, head of OPE, Greece's export promotion board.

To establish a longer-term presence in the ex-Soviet market, OPE has opened a business centre in Odessa. It occupies the building where 200 years ago the Filiki Etairia, a secret society backed by prominent Greek merchants, plotted the liberation of Greece from Ottoman rule.

Greek exports to the former Soviet Union amounted to \$230m last year, against \$124m in 1992, while imports rose from \$427m to \$513m. According to the Greek Exporters' Association, food and consumer goods account for most of the rising trend in exports.

Greek trade with Ukraine was valued at \$60m in 1993, handled mostly through Odessa, where Greek shipowners and traders appear set on reviving the status they held under Catherine the Great. Investment is starting to follow, again based on exports of secondhand machinery to start up a joint venture. In one such partnership, Mr Athanasios Daskarolis, owner of Deka, a meat-processor which recently upgraded its plant in southern Greece, has joined forces with Tirs, a Ukrainian trading company, to produce salami near Odessa.

Mr Daskarolis believes it will be three to five years before his 40 per cent stake in Deka-Tirs, the joint venture, starts to produce "a real return. But it's a good market to get a foothold in while investors from elsewhere in Europe are still feeling nervous about the former Soviet Union."

Singapore caught in media dilemma

Kieran Cooke on reconciling censorship with the global information network

Out-of-work veterans of Washington's ill-fated "Star Wars" programme should look no further. Singapore needs you.

Singapore wants to turn itself into a global media hub. The problem is that Singapore's leaders remain deeply suspicious of outside influences.

"We have to stay special and unique," said Mr George Yeo, Singapore's minister for information and the arts, recently. "To achieve this, we need a kind of semi-permeable membrane to preserve our own bubble in Singapore."

While Singapore does not plan literally to wrap itself in a cocoon, Mr Yeo's remarks are very much a reflection of the dilemma the government feels it is facing.

On one hand, Singapore's planners see the economic necessity of being plugged into the global information network. Singapore has the technology and expertise to be the information entrepôt of the dynamic south-east Asia region. Its 2.7m people are already among the world's most computer-proficient.

"The future belongs to countries whose people make the most productive use of information, knowledge and technology," says Mr Goh Chok Tong, Singapore's prime minister. "These are now the key factors for economic success, not natural resources."

But, on the other hand, the government is deeply concerned about losing control over information flows within Singapore. Satellite ownership is not allowed for the general public. The local media faithfully reflect government policy. The importation of foreign newspapers and magazines, ranging from the Far Eastern Economic Review to Cosmopolitan, is carefully controlled. Even newspapers from neighbouring Malaysia are not allowed to circulate in Singapore.

Prime Minister Goh's tough stand may stem from still having to contend with Lee Kuan Yew

Singapore's leaders have shown no hesitation in taking court action, usually involving substantial damage suits, against foreign media which, they feel, have impugned their integrity.

But as technology changes, censorship becomes ever more difficult. Services such as Internet, the global information network, can be used not only to access research materials. They can also be used to transit newspapers and pornography.

The government admits that where technology is concerned, it is fighting a losing battle. "Censorship is becoming quite impossible to enforce at the individual level," says Mr Yeo. "Once digitised, an objectionable book, magazine or video can be sent through the telecommunications network.

"We can inspect magazines, books, tapes and discs but we cannot possibly screen every bit or byte that comes down the information highway."

Instead, says Mr Yeo, Singapore needs what he calls an immune system capable of fighting off infection from within.

A code of what are seen as Asian values, emphasising the family and the primary role of the male, discipline and above all, the needs of society above those of the individual, is the pill the government wants Singaporeans dutifully to swallow to counteract foreign viruses.

"Asian values" was the main theme of a national day address at the end of last month by Prime Minister Goh Chok Tong. The maintenance of such values is seen as vital for Singapore's continued economic success. "You may think decline is unimaginable," said Mr Goh. "But societies can go wrong very quickly."

While the Singapore government remains deeply sensitive to outside criticism, Mr Goh had no hesitation in painting a bleak picture for his audience of what he sees as moral decay and lawlessness in the west, most notably in the US and Britain.

He warned Singaporeans not to fall prey to corrosive outside influences, such as welfarism, divorce, or children being allowed to call their fathers by their first names. "We must not unthinkingly drift into attitudes and manners which undermine the traditional politeness and deference Asian children have for their parents and elders."

Mr Goh admitted that drug addiction and juvenile delinquency in Singapore had risen. So had divorce, and there were single-parent families. Unmarried motherhood could not be considered a respectable part of Singapore society, Mr Goh declared. In future, unmarried mothers would not be allowed to buy government flats direct but only on the more expensive resale market.

There are those who wonder what all the fuss is about. Singapore shows few signs of descending into anarchy and moral mayhem. Its economy grew 9.9 per cent last year and looks on course for similar growth this year.

Singaporeans enjoy *per capita* incomes higher than in New Zealand and only slightly behind Australia and Britain. More than half the population can afford to travel abroad each year where they benefit from the strength of the Singapore dollar. "In Perth, Singaporeans are called 'birds'," said Mr Goh. "When they are in the shops, they go: 'Cheap cheap!'."

Analysts say that political pressures are part of the reason for Mr Goh's tough stand. On one side, as prime minister for the last four years, he has to contend with the formidable presence of Mr Lee Kuan Yew, patriarch of modern Singapore. On the other side is Mr Lee's son, Mr Lee Hsien Loong, who has made no secret of his willingness to serve as prime minister.

When he came to office, the mild-mannered Mr Goh promised a more open, consultative form of government. But that seems to have given way to a more hard-headed approach. Mr Goh needs to show his cabinet colleagues that he has a firm grip, particularly with a general election likely to be called in the first half of next year.

Mr Goh's comments could win votes among the more traditionally-minded, Chinese-educated population.

But some Singaporeans find the government's attitude hard to stomach. "It's the old story in Singapore," said a local academic. "The government still has a siege mentality. It wants to open up to media and other outside influences insofar as they will benefit the economy.

"But it still wants to control everything, from what we see at the theatre to what we read. We are the children, it is the father figure. Talking about Asian values is another way of saying:'We know what is good for you. Obey us'."

South African motor industry strike ends

By Mark Suzman in Johannesburg

The five-week long strike that has paralysed the South African motor industry ended yesterday as workers agreed to return to factories tomorrow.But no formal resolution to the wage dispute has been reached, and union leaders say discussions will continue on the issue.

The National Union of Metalworkers of South Africa, which organised the 25,000 strikers, said the decision to end the stoppage came after consultation with the union's branches over the weekend. Workers have been demanding 11 per cent across-the-board wage increases while employers have been offering 10.5 per cent. The strike is estimated to have cost between R2bn (£360m)-R3bn in lost production.

The decision follows an announcement last Friday by Mr Trevor Manuel, trade and industry minister, that he was scrapping the 15 per cent import surcharge on motor vehicles as well as cutting tariffs on motor imports from 115 to 80 per cent.

Numsa reacted furiously to the moves, accusing the government of deliberately weakening its bargaining position with employers. But Mr Manuel defended the cuts as being in line with recommendations made by an industry task group that had included union representatives, to help bring tariffs down to their Gatt-required level of 30 per cent by 2003.

The conclusion of the strike comes just ahead of a critical four-day national conference for the 1.3m member Congress of South African Trade Unions, due to open tomorrow At the top of the agenda will be an attempt to re-define the federation's role in the post-apartheid era.

President Nelson Mandela's African National Congress and Cosatu are formal political allies and worked closely together in the run-up to the April elections. Since then, widespread industrial unrest, as well as the government's tough stance on tariff reduction, has started to sour the relationship and Cosatu is now keen to reaffirm its links with the party.

Nevertheless, the government is worried that the recent strike wave has been deterring much-needed foreign investment as well as hampering economic growth and has called for restraint from the unions. Cosatu's general secretary, Mr Sam Shilowa, has said publicly that he feels legitimate industrial action has no effect on international investor sentiment.

Mr Shilowa is reported to have come under criticism from federation members for lacking the strategic vision to carve a new role for Cosatu in the post-Apartheid era, and his leadership may be challenged at the conference.

Longing for an economic miracle

It will be a hard climb, but many remain sure of the future, Mark Suzman writes

As hundreds of thousands of South Africans gathered a few days ago to give thanks for the political miracle that led to the establishment of their country's first democratic government, that same government was coming to realise how difficult achieving a similar economic miracle was going to be.

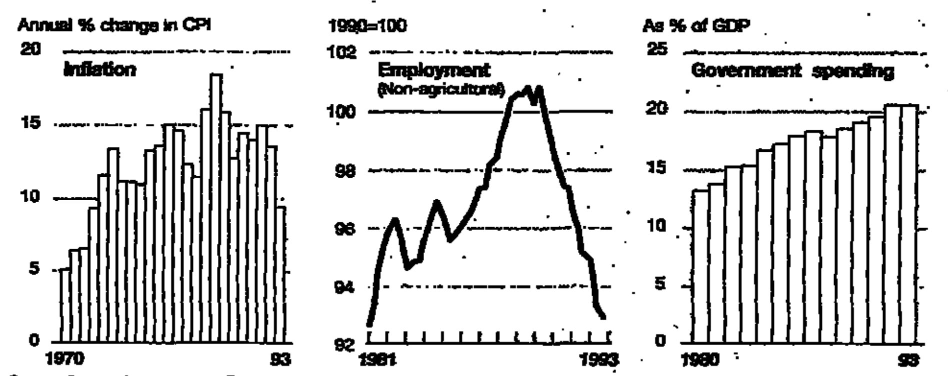
While Peace Day marchers nationwide sang the country's two national anthems, the release of worse-than-expected inflation figures caused bond yields to soar over 17 per cent, effectively ending the possibility of any further interest rate cuts.

In response, economists downgraded growth estimates for the year to between 2-2.5 per cent from the previously-expected 3-4 per cent.

All this puts further pressure on President Nelson Mandela and his African National Congress-led goverment. With nearly half the potential workforce unemployed and 7m people out of 40m without proper homes, they desperately want to provide tangible evidence of the fall of apartheid to their constituents in the form of jobs and housing. But they are constrained by the need to maintain economic credibility in the eyes of the global financial community so as to attract new foreign loans and investment to the country.

In his June budget, Mr Derek Keys, outgoing finance minister, restricted the allocation to the government's centrepiece Reconstruction and Development Programme to only R2.5bn (£696m), to keep to his commitment of lowering the budget deficit. Despite this, as signalled by last week's collapse in bonds, the markets still believe a degree of overspending is inevitable, given the wide range of demands on state resources, particularly as the new network of local and regional governments is established during the year.

But, damaging though this might be, the biggest problems faced by the South African economy are structural and not susceptible to short-term monetary or fiscal panaceas. A legacy of economic problems from the previous government (at least before Mr Keys was appointed two years ago) has left the new administration with a very limited set of policy options.



Source: South African Reserve Bank

The biggest problems faced by the economy are structural and not susceptible to short-term monetary or fiscal panaceas

During the 1980s, growth stagnated but government spending rose relentlessly. In consequence, the budget deficit rose from next to nothing to more than 8 per cent of Gross Domestic Product in 1992. Although that figure has now been brought below 7 per cent, and is budgeted at 6.6 per cent for 1994-5, government spending still takes up an exorbitant 21 per cent of GDP, well above international norms.

Given the high personal tax levels already in place, the only viable way of reducing this is through real cuts in government spending and a willingness to jettison controversial policies such as the maintenance of high tariffs for a largely uncompetitive manufacturing industry.

In delivering his annual report last month, Mr Chris Stals, Reserve Bank Governor, pulled no punches in driving home this point. He emphasised that unless deep-seated problems such as excessive protectionism, high labour costs, widespread labour unrest and persistently high inflationary expectations were tackled immediately, the longer-term growth potential of the economy would be seriously damaged.

Formidable though these obstacles might be, the outlook is not one of unrelieved gloom. Inflation may be on the rise again, but even its current 8.2 per cent is well down on the 15-16 per cent reached only a few years ago; overall inflation for the year is expected to remain in single digits.

While the wave of labour unrest may be damaging, total strike action remains below levels seen as recently as 1991. Many analysts believe this year's disputes are artificially exacerbated by the heightened expectations resulting from the election and the inexperience of a new wave of labour leaders. Next year's wage talks are expected to be markedly calmer.

Even more encouragingly, the government is publicly committed to a strategy of pursuing export-led growth and reducing protection for industry in line with the new Gatt arrangements.

In recent weeks, Mr Trevor Manuel, trade and industry minister, has warned manufacturers the goverment intends to reduce protection even below Gatt-required levels in some over-protected industries such as textiles and the motor industry.

Fixed investment and private savings have both turned around after years of decline and are rising, while business confidence is at a five-year high. Exports, in both commodities and manufactured goods, have been expanding steadily. Foreign reserves remain at pitifully low levels, barely able to cover five weeks' imports, but indications are that the huge capital outflows which bled South Africa over the past few years have now largely ceased.

With total foreign currency-denominated debt at only \$16.7bn (£11.1bn) and interest payments accounting for just 7 per cent of exports in 1993, South Africa has some scope for new borrowing.

While foreign investment has so far been largely restricted to shorter-term investments in the bond and equity markets, deterred in part by the maintenance of the country's two-tier currency, many foreigners remain remarkably sanguine about the country's prospects.

"I've been very impressed with the sophistication of the infrastructure and the quality of the people," notes Mr Steve Walsh, chief executive officer of the US-based group Pillsbury International, which has just embarked on a R152m joint venture with the South African food-processor Foodcorp.

"I think this country has a lot of potential," he says.

The problems are immense, and the country is far from being able to achieve the Asian "tiger"-type growth rates it so desperately desires, but the fact remains that South Africa's overall economic outlook is better than for decades.

As a report on the country to be released this week by the Union Bank of Switzerland concludes: "South Africa has the main ingredients required to place the country firmly on the high road to development." It will be a long hard climb, but South Africans will be hoping that soon, national celebrations of the country's economic success will be held to complement this year's political ones.

End of oil strike enhances Abacha's position

By Paul Adams in Lagos

The collapse of Nigeria's two-month oil industry strike, aimed at forcing an end to military rule has left Gen Sani Abacha's regime in a strong position and the civilian opposition in disarray. It has also left the political and economic problems underlying the recent crisis unsolved.

When pro-democracy groups came together in June to challenge the authority of Gen Abacha, and secure the release of Chief Moshood Abiola, widely regarded as the winner of last year's annulled presidential election, his regime had yet to be tested.

Now Nigerians can be in little doubt that their head of state responds to opposition with force and is offering a handover to civilian rule on his terms and in his own time.

Nupeng, the blue collar oil workers union, and Pengassan, the senior staff association, saw themselves as the vanguard of a movement to restore civilian rule, but soon found themselves out on a limb.

Damaging though it was, the oil strike was a long-term weapon in a campaign which had to be won quickly. Nigerian workers lack savings to sustain a long strike and there was a lack of political leadership to direct a protest capable of deposing a regime.

The strike paralysed fuel distribution and the refineries and brought the commercial capital Lagos almost to a halt. In the oil fields in the east, output of crude oil, Nigeria's only big export, dropped within a fortnight by 20 per cent.

But essential services such as water and electricity survived the crisis. Support for the strike was slow in coming from the Nigeria Labour Congress (NLC), which represents all the main unions. The general strike they called in July lasted less than two days.

"I feel let down by the NLC leaders.They made a lot of noise but came up with nothing," said Mr Milton Dabibi, general secretary of Pengassan in Lagos yesterday after agreeing a communique with some of his branch leaders authorising a return to work today.

Mr Dabibi admitted that the mass of the unions' members had had enough of the strike and that the government's tactics, which he described as "brute force", had disrupted the leadership, with four branch leaders in the state-owned refineries and fuel distribution network under arrest for trying to carry on the strike.

The army benefited as it took over distribution of scarce supplies of fuel, but in the big cities ordinary people suffered from the lack of transport and the closure of factories and banks.

Divisions within the military over whether to appease or suppress the threat delayed the government's response until mid-August when Gen Abacha barred the national executives of Nupeng, Pengassan and the NLC from their posts, closed down the leading independent daily newspaper and arrested Nupeng's general secretary Mr Frank Kokori and several leaders of the National Democratic Coalition (Nadeco), which was the focus of civilian opposition in the south-west.

A wave of attacks on the homes of prominent government critics in Lagos have been blamed by lawyers on the government. Although the allegations are unproven, the attacks increased the climate of fear.

The government now has its own administrators in the unions and a partial lifting of the ban on political activity has allowed the largely anti-Abiola delegates at the constitutional conference in Abuja to start creating the nucleus of political parties ready for next year's polls. A purge at the highest levels of the armed forces and the public sector has placed Abacha loyalists in key posts.

Mr Abiola is still in jail, needing hospital treatment according to doctors and Nadeco has proved to be a source of rhetoric but little action. By calling the opposition's bluff, the government will feel more secure than at any time since Mr Abiola relaunched his claims to the presidency.

But the grievances felt by the Yoruba tribe in the south-west and the minorities in the oil-producing areas towards an increasingly rigid and northern dominated military regime are as deep as ever.

NEWS: INTERNATIONAL

Brundtland cuts to heart of Cairo conference

By Mark Nicholson in Cairo

Mrs Gro Harlem Brundtland, Norway's prime minister, cut to the heart of controversies at the International Conference on Population and Development during its opening yesterday with a plain-speaking defence of its centrepiece text's position on abortion.

Mrs Brundtland's speech, which accused some religious critics of hypocrisy, drew loud applause and a final standing ovation during an opening session marked otherwise by conciliatory and grandiose opening addresses.

"I have tried in vain to understand how the term 'reproductive healthcare' can possibly be read as promoting abortion as a means of family planning.

"Rarely if ever have so many misrepresentations been used to imply a meaning that was never there in the first place," Mrs Brundtland declared.

"Morality becomes hypocrisy if it means mothers suffering or dying in connection with unwanted pregnancies and illegal abortions and unwanted children," she added.

Ms Benazir Bhutto, Pakistan's prime minister (the opening's other star female speaker in a conference which has women's rights as a central theme) made a spirited defence of Islamic and family values. While claiming the conference's draft text contained "serious flaws", she said the world must not see the event as "a universal social charter seeking to impose adultery, abortion [and] sex education".

Egypt's President Hosni Mubarak, the conference host, Mr Boutros Boutros Ghali, UN secretary-general, and Mr Albert Gore, US vice-president, called the gathering "one of the most important conferences ever held".

Most other speakers reiterated with little change of emphasis the central thrust of the gathering, which is to provide a consensual global programme to stabilise world population based on a "holistic" developmental approach with the education and empowerment of women at its core.

Speakers and delegates made energetic efforts to stress the high degree of agreement among the event's 170 participants on the conference document, detailed negotiations on which began yesterday and will continue until the conference closes on September 13.

Mr Gore said what was "truly remarkable" about the meeting was "not only the unprecedented degree of consensus about the nature of the problem, but the degree of consensus about the nature of the solution".

By the end of yesterday, delegates were congratulating themselves on having made progress in trying to heal rifts over the document's language. EU states agreed internally to back a proposed amendment clarifying the document does not promote abortion as a means of family planning.

Women of Pakistan's Jamaat-e-Islami protest in Islamabad yesterday against Prime Minister Bhutto's part in the Cairo conference AP

A 'Personal Status Code' has given women rights not enjoyed elsewhere in the Arab world

Emancipation helps Tunisia to steady growth

By Francis Ghilès

Amid all the controversy surrounding the United Nations Population Conference in Cairo, the example of one small Moslem country, Tunisia, traditionally tolerant and open to western influence, suggests the emancipation of women has been a significant factor in reducing population growth from 3.2 per cent a generation ago to 1.9 today.

Vastly improved standards of education and health care are other ingredients which explain Tunisia's steady economic performance in recent years. Real growth has averaged 5 per cent a year since 1989 and inflation is running at a little over 3 per cent. Over two-thirds of all households own or are buying a house or apartment.

The successful implementation of a structural readjustment programme has, since 1987, won plaudits from both the International Monetary Fund and the World Bank, and contributed to the resilience of the economy in overcoming the impact of the Gulf War and, last winter, a severe drought. The tourist sector is attracting 2.5m Europeans this year and contributing an estimated $1.2bn (£800m) to exports of goods and services.

Most striking is the coherence of the "Personal Status Code", promulgated by former president Habib Bourguiba in 1956, the year Tunisia gained independence from France, which abolished polygamy and established all the laws governing family planning, divorce and the education of women which have given Tunisian women rights not enjoyed elsewhere in the Arab world.

In 1963, free prescriptions of the pill and free confidential advice on contraception were made available to women, 10 years before France. The programme spread to even the smallest village. The birth rate has declined from 45 to 24.4 per 1,000, mortality from 15 to 6.1 per 1,000. Illiteracy has been cut from 87.7 to 35 per cent, though the figure is higher among women in poorer areas.

Women are increasingly visible in teaching, medicine and architecture, in factories as workers, engineers and owners. The world of politics remains very much a man's world, although the professional skills and sureness of touch which Mrs Neziha Mezhoud, minister in charge of family issues, and a growing number of other highly-articulate women bring to their jobs, suggests it is only a matter of years before senior cabinet posts will go to women.

Though leaders of the opposition Islamic al Nahda (Renaissance) party have said they would accept many of Mr Bourguiba's policies, women are mindful of the often violent record of some supporters of the party, notably the throwing of acid in the faces of university students on the campus in Tunis. Many Tunisian women are convinced radical Islam is not sympathetic to the idea of equality between the sexes or to their presence in public places.

The laws on divorce and alimony are remarkably close to their European counterparts. Indirectly, they allow women a far greater share of inheritance than the Koran allows. To bolster these moves, the books of people such as Hassan el Banna, the founder of modern fundamentalism, have been withdrawn from schools and public libraries, and references to the inferior status of women erased from all school books.

Women today have 25 per cent of all jobs in Tunisia, 35 per cent of all jobs in industry, 22 per cent in the growing services sector and 40 per cent in agriculture, where they manage 10 per cent of all farms. Ten per cent of all new companies are created by women.

The cycle of emancipation, education, public presence, most notably in the workplace, success in the professions and industry helps to explain why a country of such slender natural resources has progressed so much faster, not least economically, than many of its peers in the Middle East and Africa.

Uzbek prices triple

By Steve LeVine in Tashkent

Bread and flour prices were tripled yesterday in Uzbekistan, in an apparent attempt to accommodate International Monetary Fund recommendations and finally obtain currency support.

President Islam Karimov also issued a decree awarding direct payments to "virtually every adult to compensate for the price rise".

Taken with other recent policy changes in Uzbekistan, the announcement implies Mr Karimov is more willing to risk shifting from the safer political ground to which he has adhered since the 1991 Soviet collapse.

The price rises follow a halting of subsidies to state enterprises and a move to a floating exchange rate. An IMF mission is due in Tashkent starting Sept 16, to evaluate the economic impact of the introduction of Uzbekistan's currency, the som, on July 1 last.

Until now, the IMF has refused to provide support for the Uzbekistan som, which since its introduction has weakened from seven to 18 to the dollar. The IMF has insisted the government adopt structural changes, chiefly freeing interest and currency exchange rates.

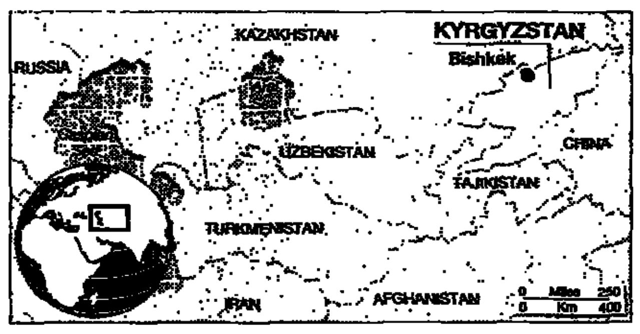
Mr Karimov may have trouble persuading the IMF to reverse its position. Economists say he has kept indirect subsidies to state banks, and retained the ability of targeted enterprise to buy cheap dollars for imports or equipment.

Government of Kyrgyzstan resigns

By Steve LeVine in Tashkent and John Lloyd in Moscow

The government of the central Asian state of Kyrgyzstan resigned yesterday, apparently to strengthen the hand of the pro-reform president, Mr Askar Akayev, against the conservative-dominated parliament. Mr Akayev has ordered new elections to the parliament before the end of the year.

The sudden open confrontation between the reformist and conservative forces in the smallest of the former Soviet central Asian republics pits communist deputies, many of them representing the large Russian diaspora, against a minority in parliament who support the reformist strategy which Mr Akayev has struggled to push through.



The country, one of the poorest in the region, introduced its own currency backed by a loan from the International Monetary Fund last year, and has reduced its inflation rate to 3.8 per cent a month in July.

However, faster progress with reforms and a start to an ambitious, but stillborn, privatisation programme has been stymied by a majority in parliament opposing economic reform which will threaten the further existence of the rickety industrial sector reliant on continued state subsidies.

The cabinet issued a resignation statement saying that government had become paralysed "because of political games in parliament" which "disturb social life and create tensions. The parliament has been unable to take decisions and thus interrupted its own work. The government considers it its duty to say that it supports the president's policies".

Parliament was due to convene for a final session of the year on September 27, when a new barrage of anti-government moves and resolutions would have been unleashed.

Mr Akayev's announcement shifts forward the election date from February/March of next year to some time in the next five months. "There is no way now for the opposition to organise before an accelerated election," said one western analyst said in Bishkek, the capital.

Mr Akayev stands in contrast to most central Asian leaders: he is not a former first secretary of the communist party, and has fully embraced market reform, though he lacks a strong industrial base and leads a country where natural energy and precious minerals are in short supply.

The som, the Kyrgyz currency, has stabilised and the IMF has granted a three-year loan of $104m (£69m), the only one of its kind in central Asia. Attacks on the president point up the fact that, of the five central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, only Kyrgyzstan permits an active opposition, a source of pride to President Akayev, but one which has thrown him on the defensive.

US leads growth in world medicines sales

By Paul Abrahams

Sales of US prescription medicines have rebounded this year in spite of healthcare reforms, while Japanese and European markets for medicines continued to splutter.

The US pharmacy drugs market has recovered strongly, rising 7 per cent during the first six months, compared with growth of only 3 per cent during the same period last year. Sales increased from $22.7bn (£14.6bn) to $24.3bn, according to IMS International, specialist market research company.

Pharmacy sales in Japan rose from $9.4bn to $10.4bn, but rose only 1 per cent in yen terms. The sector has been hit by government-inspired price cuts introduced in April.

In Europe's seven largest markets, drugs sales slipped from $23bn during the first six months last year to $22.2bn in the same period this year. The figures, however, were distorted by currency devaluations and fluctuations. In local currency terms, sales increased 2 per cent compared with a growth rate of 10 per cent during the first half of 1992 and 1 per cent in the 1993 period.

The German market continued to recover from last year's steep falls. Sales rose 6 per cent compared with an 11 per cent fall during the same six months last year. All therapeutic categories registered growth, apart from asthma products, which fell 1 per cent.

All other European markets registered decelerating growth or even falls in sales. The Italian market fell 7 per cent, following last year's drop of 2 per cent. The French market was static after growth last year of 7 per cent.

The UK remained Europe's fastest growing market, up 8 per cent, though this was less than last year's 13 per cent growth. The Spanish market also decelerated, growing at 3 per cent compared with 11 per cent. Sales in the Netherlands rose 5 per cent, (13 per cent).and those in Belgium 4 per cent (6 per cent).

WORLD PHARMACY DRUG PURCHASES, JANUARY-JUNE 1994 (in US$m)

	N America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	4,228	1,619	1,543	1,487	866	446	380	154	157
Alimentary/Metabolism	4,238	2,005	1,136	1,010	670	520	312	185	124
Central Nervous System	4,355	525	683	691	353	356	217	98	124
Anti-infectives	2,512	1,343	403	673	470	188	243	50	91
Respiratory	2,713	793	681	463	241	406	200	115	76
Musculo-Skeletal	1,141	1,005	347	263	204	176	103	37	44
Blood Agents	1,160	852	249	365	215	43	109	35	32
Others	3,939	2,243	1,363	1,006	704	510	348	146	134
Total	24,286	10,385	6,405	5,958	3,723	2,645	1,912	820	782
% Change**	7	1	6	0	-7	8	3	5	4

*Non-hospital market only **Increase excluding currencies Source: IMS International

Commerzbank in Tokyo gets bill for extra taxes

By Emiko Terazono in Tokyo

Japanese tax authorities have sent the Tokyo branch of Commerzbank, Germany's third biggest commercial bank, an additional tax bill of Y40m (£2.58m).

The National Tax Agency claims the bank failed to report income of Y100m in 1991 and 1992. The bank is the first financial institution to be involved in the tax agency's crackdown on Japanese affiliates and branches of foreign companies, which have been allegedly trying to avoid paying local taxes by transferring profits from Japan.

In July, the tax agency stepped up efforts to tackle the problem. Last month, the Japanese subsidiary of Asea Brown Boveri was ordered to pay Y1.1bn in additional taxes.

Ciba-Geigy, Roche, Hoechst and Coca-Cola, the US beverage company, are also among companies sent penalty tax bills.

Commerzbank said a misunderstanding arose over when it should have booked costs for its computer investment. A company official said about 60 per cent of the Y100m in under-reported income derived from computer costs; the rest was from financial trading, including derivatives.

Japanese tax authorities have started targeting profits made on derivatives trading, an area where foreign banks and brokers have expertise, and the main source of income at foreign institutions.

Hinduja brothers press for names to be cleared

Speed urged in Bofors case

By Shiraz Sidhva in New Delhi

Mr Srichand Hinduja, chairman of the London-based Hinduja trading group, yesterday called on the Indian government to move quickly to complete its investigations into the 1987 Bofors scandal.

In a statement issued in New Delhi Mr Hinduja said he and his brothers (Gopichand and Prakash), accused in the Rs14.5bn (£300m) Bofors gun payoff, were keen to clear their name. "We have done no wrong and that is why we have committed an investment of more than Rs110bn in core sectors in India," Mr Hinduja said.

He urged the Indian government to make specific requests for documents from the Swiss authorities about the alleged payments from Bofors, the Swedish gun maker, relating specifically to the Indian gun deal in 1987, and not "any payments from Bofors".

"It is for this reason we have been compelled to be appelants in Switzerland to ensure that payments relating to such commercial transactions with the said group and unrelated to the gun deal does not get mixed up with the documents of the gun contract to be sent to India."

The Indian government's Central Bureau of Investigation had made public the names of seven persons, including the Hinduja brothers, and Mr Win Chadha, former Bofors agent in India, and Italian businessman Ottavio Quattrocchi, whose plea for secrecy about their involvement in the scandal was rejected by the Swiss Supreme Court last year.

NEWS: THE AMERICAS

Business leaders anxious as Canadian province approaches crucial election

Quebec warned over results of secession

By Bernard Simon in Toronto

A growing chorus of Quebec business leaders and other federalists has warned of dangers to the francophone province's economic prospects if the Parti Québécois presses ahead with its agenda for a quick drive towards independence from Canada after the provincial election next Monday.

The warnings reflect the PQ's virtually unassailable lead in public opinion polls over the ruling Liberal party. According to the latest polls, the PQ is set to win about two-thirds of the 125 seats in the provincial assembly.

With a PQ win next week all but assured, both separatist and federalist forces have begun to look to the next stage of the struggle, which will determine whether, when and to what extent Quebec severs its ties with the rest of Canada.

The PQ's election platform pledges that the assembly will pass a "solemn declaration" immediately after the election, so as to affirm Quebec's desire to become an independent country.

The party has also promised to hold a sovereignty referendum within a year of taking office. In the meantime, it has threatened to shun negotiations between the federal government and the other nine provinces on issues of overlapping jurisdiction, such as welfare and healthcare reforms.

A group of 10 prominent Quebec federalists, led by Mr Michel Bélanger, former chairman of the Montreal-based National Bank of Canada, warned that the "solemn declaration" would sow confusion among domestic and foreign investors about Quebec's future.

Mr Jean Campeau, former head of the Caisse de Dépôt public-sector pension fund and one of the PQ's few supporters in the top echelons of Montreal business, insisted the declaration would only be "a symbolic event", meant to "inform the Quebec people of the government's desire to hold a referendum to decide whether Quebec should be sovereign."

With only a few exceptions, the business community and federal politicians have kept a low profile during the election campaign. Most have confined their involvement to behind-the-scenes advice to Mr Daniel Johnson, premier and Liberal leader. However, they are likely to become more outspoken about the costs of independence, if and when the referendum campaign unfolds.

Federalists have taken heart from polls which show that, despite the PQ support, a solid – even a growing – majority of Quebeckers is opposed to outright independence.

The PQ has been able to capitalise on high unemployment and cuts in public services, by assuring voters that the main issue in the election is good government rather than independence.

Many voters appear keen for a change after nine years of Liberal rule.

High-flyer takes over at Brazil finance ministry

By Angus Foster in São Paulo

Mr Ciro Gomes, Brazil's new finance minister, is a high-flying politician with very close links to Mr Fernando Henrique Cardoso, government candidate and front-runner for the presidential election in October.

The new minister is best known for his efficient and honest government of Ceará, a small state in the Brazilian north-east, a region more often associated with bad government and corruption. Now 37, he represents a new crop of Brazilian politicians who remain populist and aware of the importance of the media, but who are less nationalist than past generations.

Mr Gomes was born in São Paulo but grew up in Ceará, where several family members have held political office. He practised law before switching to politics.

In 1988, he was elected mayor of Fortaleza, the Ceará capital, and emerged as a principal follower of Mr Tasso Jereissati. The latter was elected state governor in 1987, modernised its government and balanced its budget.

Mr Gomes succeeded as governor in 1990, and continued his policies of controlling public spending and improving government efficiency. This has led to a wave of foreign investment in Ceará and its economic growth has outstripped that of all Brazil by a factor of five in the last seven years. However, opponents argue that it has taken too long for the benefits of growth to reach the poor.

The new minister has also won plaudits, and criticism, for his skilful handling of the Brazilian and international media. He is a well-known figure in Brazil, despite the relative obscurity of his state.

His media presence will help him continue the work of his predecessor at the finance ministry, Mr Rubens Ricupero, whose work of explaining Brazil's new Real currency to the public, as well as fighting industrial groups wanting to raise prices. He is likely to be weakened, however, by his links to Mr Cardoso. Other candidates are unhappy that one of the presidential front-runner's closest allies has been appointed finance minister so close to the elections.

Mr Jereissati is well ahead in opinion polls to secure a second term as governor of Ceará. Both men are key members of the same political party as Mr Cardoso, the social democratic PSDB.

WTO boost for Salinas from Ricupero's gaffe

The latest Brazilian political scandal has strongly increased the chances that President Carlos Salinas de Gortari of Mexico will become head of the new World Trade Organisation, diplomats and analysts said yesterday, Reuter reports from Geneva.

Mr Rubens Ricupero, who resigned as Brazil's economy minister at the weekend, was widely seen as the main rival to Mr Salinas for leadership of the WTO, due to come into being next year under the world trade accord signed in April.

"I cannot see Ricupero remaining seriously in the race after this affair," said one trade envoy, whose country had favoured the Brazilian, a widely-respected former ambassador to the General Agreement on Tariffs and Trade.

Salinas: Front-runner

An experienced Gatt-watcher said Mr Ricupero's admission that he hid bad financial figures so as to help the Brazilian presidential election campaign of his ministerial predecessor, Mr Fernando Henrique Cardoso, "must spoil his chances for the WTO".

Mr Salinas, who already has the implicit backing of the US and many Latin American governments to become the first head of a world trade body from a developing country, was already viewed as the front-runner for the post.

Many trade officials and diplomats say that his record as a president who put aside protectionist policies and liberalised the Mexican economy would provide added political weight to the fledgling WTO.

The European Union is expected to endorse the candidature of Mr Renato Ruggiero, an Italian former trade minister, although there is little sign that he has much support among other countries in the 125-member Gatt.

Talks on peace in Mexico to start this week

Talks aimed at reopening peace negotiations between the Mexican government and armed rebels in the south-eastern state of Chiapas will start this week, after a weekend of protests there, writes Ted Bardacke in Mexico City.

Bishop Samuel Ruiz, a local mediator in the crisis, announced a series of "urgent meetings" after about 20,000 indigenous peasants had blocked all roads in and out of Chiapas at the weekend and demonstrated in at least 40 towns. Officials warned of a possible resumption of hostilities in the state, where Zapatista left-wing guerrillas began an uprising on January 1.

Demonstrators are now seeking to prevent Mr Eduardo Robledo of the ruling Institutional Revolutionary Party from taking office as governor, after his election on August 21. They allege fraud and are demanding that Mr Amado Avendaño of the opposition Party of Democratic Revolution, who was openly supported by the rebels, be declared victor.

Bishop Ruiz said that a "clarification" of electoral irregularities, as well as a new round of peace talks, was the key to any permanent settlement in the state. Mr Robledo "is going to have very serious problems," the bishop told the newspaper Reforma.

Mr Robledo was a top aide to Mr Absalón Castellanos, the former governor of Chiapas who was kidnapped by the rebels at the beginning of fighting in January, then released after a ceasefire.

Mr Javier Moreno, the acting governor, said there were "ominous signs which announce possible confrontations."

He is facing disquiet, not only from the protesters but also from land-owners who have accused the state government of turning a blind eye to land occupations by rebels and their civilian supporters.

"I hope that statements which contain a high degree of radicalism do not turn into reality," Mr Moreno said. He denied the existence of any new armed groups in the state.

Barbados votes in early election

By Canute James in Kingston

Barbadians go to the polls today in an early election for a new government for the Caribbean island.Latest opinion polls put Mr Owen Arthur's main opposition Barbados Labour party in the lead.

The election, being held 15 months before it is constitutionally due, was called by Mr Erskine Sandiford, the outgoing prime minister, after he lost a no-confidence vote in parliament when rebellious cabinet members, critical of his leadership, voted with the opposition.

Mr Sandiford, who is a candidate in the election, has been replaced as leader of the Democratic Labour party by Mr David Thompson, a 32-year-old lawyer who is the island's finance minister.

The opinion polls give the BLP 32 per cent of popular support, with 21 per cent going to the incumbent DLP and 9 per cent to the minority opposition National Democratic party, which is led by Mr Richie Haynes. The pollsters warn, however, that the outcome of the election could be determined by the 38 per cent of voters who were undecided up to last weekend.

Reducing the island's 22 per cent unemployment rate, maintaining the stability of the currency and expanding the business sector are the issues which have dominated the campaign.

The DLP has promised measures to cut unemployment by 5 percentage points over the next 18 months, followed by 4 points the following year, and 3 the next. The jobs are expected to come from proposed tax cuts and from new investments in hotels; construction and expansion of the information processing sector.

The development of small businesses through a range of incentives has been proposed by the opposition BLP as one means of reducing unemployment.

It says that if elected, it will transform the island's economy, which is presently based on tourism and cane sugar production, into one based on a range of services for foreign markets.

The three parties contesting the election have said they will resist pressure from international financial institutions to devalue the Barbados dollar. The currency, whose parity is fixed by the government, has been under pressure intermittently over the past four years.

Caribbean countries earn US favour

By Canute James in Kingston

Caribbean countries willing to provide "safe havens" for refugees from Cuba and Haiti will be treated "favourably" by the US, but no Caribbean government is being pressed into accepting the refugees, according to a US envoy to the region.

"It is obviously true that any country which helps by taking the boat people that our ships are picking up at sea is doing us a favour, and it's obviously true that any country that helps us out in that regard and helps these poor people ... would be doing a humanitarian service," said Mr George Jones, US ambassador to Guyana. "Would that be favourably looked upon in Washington? Of course it would be."

Several opposition parties in the region have suggested that governments are being pressed by Washington into accepting boatpeople, and into providing troops as part of a planned US and allied invasion of Haiti. Mr Jones described these suggestions as "absolutely" untrue.

Several countries have agreed to accept varying numbers of Haitians, and have been asked by the US government to accept Cuban refugees. Dominica, St Lucia, Surinam, and the Turks and Caicos Islands, a British possession, have agreed to accept thousands.

Several Caribbean countries also agreed last week to provide about 300 soldiers for a non-combat role in a likely US-led invasion of Haiti to remove that country's military rulers and reinstate the exiled president, Father Jean Betrand Aristide.

Mr Ralph Maraj, Trinidad and Tobago's foreign minister, said there has been "no arm-twisting at all". Dame Eugenia Charles, prime minister of Dominica, said that, while her government was willing to grant "safe haven" to Haitian refugees, it had not agreed to accept any Cubans.

The administration in the Cayman Islands, a British dependency, says it is in danger of being overwhelmed by refugees.

Aviation correspondent Paul Betts on projects announced at Farnborough Air Show

Airbus welcomes chance for wider role

The decision to form a military subsidiary for the European Airbus commercial aircraft consortium could speed up the transformation of Airbus into the Boeing of Europe.

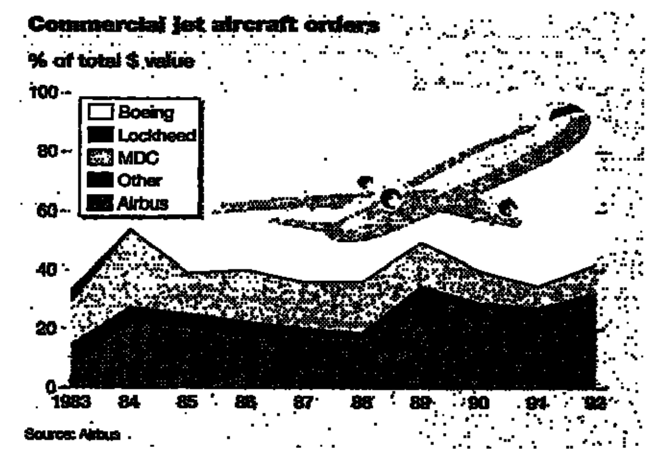
The move, announced yesterday at the Farnborough Air Show, is designed to integrate the European future large military transport aircraft programme (FLA) into the successful Airbus commercial aircraft manufacturing and development system.

This integration would boost the FLA's chances in its competition against Lockheed of the US and its new generation Hercules transport aircraft.

A decision is also expected to have broader implications for the restructuring and consolidation of the European aerospace industry.

Airbus would gain access to the military market to match its bigger rival Boeing, whose defence operations account for around 20 per cent of its annual turnover. "There is no better framework for the new military transport aircraft in Europe than Airbus," said Mr Louis Gallois, chairman of Aérospatiale, the French company with a 37.9 per cent stake in Airbus.

The creation of the military subsidiary for Airbus represented a "tremendous chance and challenge" for Airbus, he added. Although Airbus has secured 30 per cent of the world's civil aircraft market, it is coming under increasing pressure from Boeing, which yesterday announced further moves to improve productivity and customer services.



"A challenge for Europe and Airbus is to become every day more competitive versus Boeing," said Mr Gallois. The integration of the FLA project within the Airbus structure was one important step.

Apart from broadening Airbus activities into the military sector, the proposal could also form the framework for expanding Airbus activities into other new commercial aircraft sectors. Moreover, it is positive news for new collaborative ventures with other international partners in programmes ranging from smaller turbo-prop and regional aircraft to the development of a new generation of 600 to 800 seat Jumbo jets.

The new Airbus military subsidiary would enable other European companies currently not part of the Airbus consortium to participate in the European aircraft group. At present, Airbus partners include Aérospatiale of France, Deutsche Aerospace, British Aerospace and Casa of Spain.

The new military subsidiary would also involve the participation of Alenia of Italy and the other associate partners in the FLA military transport project, including Belgian, Portuguese and Turkish aerospace companies which are not Airbus shareholders.

Although Airbus partners are still in discussion with Boeing over collaborating on the possible joint development of a new super Jumbo, Airbus is this month also due to start marketing its own A3XX 600 to 800 seater Jumbo aircraft projects. This programme could involve a number of partners outside the consortium, and senior Airbus officials suggested these could be grouped into a separate Airbus subsidiary, similar to the military subsidiary Airbus is proposing for the FLA.

At the same time, other subsidiaries could be set up to integrate the European regional turbo-prop and jet manufacturers in a market suffering from excess capacity and many competing projects.

Mr Jean Pierson, the Airbus chief executive, also confirmed yesterday that the Airbus partners were setting up a separate Airbus financial company to support the company's sales and marketing drive as well as proposing to create a new aircraft asset management group to monitor the worldwide Airbus fleet and remarket used aircraft.

"The development of an active market for used aircraft will play an increasingly important role for Airbus," he said.

While considerable political and institutional obstacles remain to the conversion of the existing Airbus structure into a public limited company, the establishment of a military subsidiary and, eventually, other subsidiaries, could open the way for a transformation of the Airbus system to reflect its main US rival, Boeing.

Boeing launches big 737 version on back of orders

Boeing, the world's largest manufacturer of civil aircraft, yesterday launched a new version of its 737 twin-engine narrow body airliner family after securing commitments from four airlines, *writes Paul Betts*.

The 737-800, launched at the Farnborough Air Show, is the largest member of the new generation of Boeing 737 aircraft. Mr Ron Woodard, president of Boeing's commercial aircraft operations, said four undisclosed customers had committed themselves to order more than 40 of the airliners.

The new 737-800s will seat 164 to 189 passengers and complement the new 737-700, which seats around 144 passengers. South West Airlines of the US and Maersk Air of Denmark have already placed launch orders for the 737-700.

Mr Woodard said commitments for the 737-800 and 737-700 were worth around $2bn.

Boeing also confirmed it is planning to launch a new smaller version of the 737, seating more than 100 passengers, as soon as it has secured sufficient initial commitment from airline customers.

The group is also studying the development of a smaller 80 to 100 seat regional jet in collaboration with an Asian partner. The company is in active discussions with China and Japan over this project. Boeing indicated it is prepared to be a minority partner in a regional jet project with Asian partners, while maintaining overall leadership on the technology of the aircraft, which was likely to draw heavily on the 737 airline family.

Boeing also announced four firm orders for Boeing 767-300ER jetliners – valued at $384m – that will be leased to KLM Royal Dutch Airlines by International Lease Finance Corporation.

KLM Royal Dutch Airlines is rationalising its aircraft fleet by replacing ten European Airbus A310 wide-body airliners with US Boeing 767-300 aircraft. It will lease seven Boeing 767 aircraft.

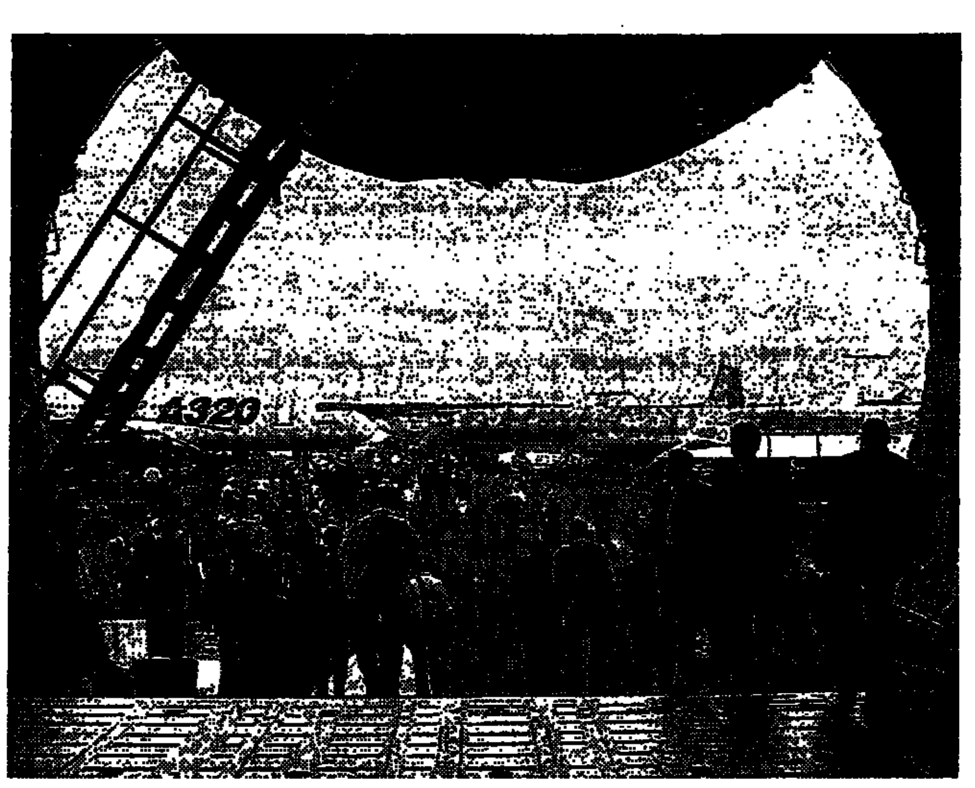
The decision is a disappointment for Airbus, and reflects a trend among international airlines to rationalise their fleets to reduce costs and improve efficiencies.

● Boeing also announced it was starting next-day shipment on available routine spare parts orders, in a move it said would potentially save customers millions of dollars.

Mr Woodard said more than 400,000 different parts would be available "ready for shipment the next day", or 30 times faster than the industry standard, through its Spare Parts Distribution Center in Seattle.

Next-day shipment will be phased in at other spare parts centres in Altanta, Brussels, Singapore, London and, soon, in a new site in Beijing.

Aircraft on ground orders, the most urgent category of spares, are now ready for shipment within two hours of the receipt of orders.



Tony Andrews

Inside the belly of the beast: the view from a US transport aircraft at the Farnborough air show

Westland to bid for UK contract

By Bernard Gray

Westland, the UK helicopter maker, has formed a team to bid for the £2bn ($3.1bn) contract for 91 attack helicopters for the British Army.

The group, called Team Apache, brings together McDonnell Douglas, Martin Marietta and Westinghouse of the US with Westland and Shorts of Belfast to offer the Longbow Apache helicopter for the Ministry of Defence competition.

Mr Alan Jones, Westland's chief executive, said that if the Apache won the contract £1bn of work would come directly to UK companies working on the programme, with a further £1bn of contracts placed for other work.

Over 100 UK companies have already committed themselves to bids for the 300 work packages available of the Apache, including Rolls-Royce, Lucas, Racal Electronics, Smiths Industries, Hunting Engineering and Royal Ordnance.

The competition is between the Apache, the Bell Cobra Venom in co-operation with GEC, the BAe-Eurocopter Tiger and the Denel-Marshalls Rooivalk from South Africa. The Apache is thought to be the favourite with the army.

Final bids must be in early in the autumn, with a final decision expected to be made next spring.

"Westland Apache can be delivered to meet the British Army's preferred in-service date of 1998," said Mr Jones. He also stressed that with the Apache in service with the US army and other forces worldwide, the helicopter was a low-risk choice.

The Apache was on show at Farnborough, having been flown in from the US in a giant C-5 Galaxy transport aircraft.

Rolls-Royce wins $20m order from Hungary

Rolls-Royce has won a $20m order from the Hungarian airline Malev for Tay engines to power four Fokker 70 passenger jets.

Fokker has announced that three of the aircraft are being leased from American International Group's International Lease Finance Corporation and the fourth is being bought from Fokker.

Fokker said the order, for delivery between autumn 1995 and spring 1996, brings total orders for the new twin-engined aircraft to 33.

Fokker chairman Mr Ben van Schaik said at the show more orders were on the way for the plane, which is due to be delivered to its first customers this October.

● Anglo-German aero-engine maker BMW Rolls-Royce has awarded a contract to RoSEC, a joint venture between Rolls-Royce and Smiths Industries, to design and manufacture the digital engine control system for the BR715 engine. It said the deal could eventually be worth $75m.

BMW Rolls-Royce is 50 per cent owned by Bayerische Motoren-Werke.

● Aerospatiale sales for the first half of 1994 have fallen 3 per cent compared with the same period in 1993, chairman Mr Louis Gallois said.

Mr Gallois said first half orders were weak, particularly for helicopters and civil aircraft, and Aerospatiale needed to continue efforts to cut costs.

EC and SADC unveil plans for closer links

By Judy Dempsey in Berlin

The European Union and the Southern African Development Community (SADC), which groups the region's 11 countries, will today unveil a programme aimed at increasing closer economic co-operation between the organisations.

"The time is ripe for the co-operation between both our regions to move on to a new stage," said Mr Klaus Kinkel, the German foreign minister.

He was speaking on behalf of EU foreign ministers in Berlin at the opening of the first high-level ministerial meeting with SADC.

EU and SADC officials said they would identify a number of projects, ranging from telecommunications and transport to infrastructure and energy, which would be supported by Brussels.

However, SADC officials stressed they were not in Berlin to ask for assistance.

"This is not a donor's conference. It is not a pledging conference," said Mr Kaire Mbuende, the SADC executive secretary. "It is about SADC trying to base its relations with the EU on trade, genuine co-operation, and investment. We want to create institutional mechanisms for a partnership between the two regions."

SADC is the successor to the Southern African Development Co-ordination Conference, which was set up in 1980 to reduce its members' trade with South Africa. It was renamed SADC in 1992 and the organisation shifted its policies from opposition to South Africa to economic development.

The member states are Angola, Botswana, Lesotho, Malawi, Zimbabwe, Mozambique, South Africa, Swaziland, Tanzania, Namibia and Zambia.

Mr Mbuende said inter-regional trade amounts to no more than 6 per cent of total trade. To increase this volume, he hoped the SADC would agree to a trade promotional protocol by January 1995. This would facilitate greater mobility of capital and investments in the region.

Most of the SADC economies maintain complex trade and tariff regulations which will take a long time to dismantle. In addition, the relative size of South Africa – it contributes over 75 per cent to a regional GDP of around $125bn (£80.6bn) – makes other countries nervous of being flooded with cheaper South African goods should all restrictions be removed.

Mr Mbuende said SADC has to start thinking about harmonising its regional travel, visa, banking, currency and trading relations.

EU officials yesterday said a more integrated and co-ordinated SADC economic structure would help improve trade and investment links with the EU.

The EU already buys more than a quarter of SADC's exports.

Over the past 20 years, Brussels has extended Ecu4.6bn ($5.61bn) in financial and technical aid.

More than Ecu110m has already been earmarked this year for a special programme set up to dismantle the remaining vestiges of apartheid in South Africa.

Batam chosen for air maintenance centre

By Kieran Cooke in Kuala Lumpur

Companies from Singapore and Indonesia are setting up an aircraft maintenance centre on the Indonesian island of Batam.

Singapore Aerospace, a listed company which has traditionally focused on military maintenance and overhaul, and Nusantara Aircraft Industry (IPTN), Indonesia's state-owned aircraft manufacturing company, will each hold 25 per cent in the project. A company controlled by Mr Liem Sioe Liong, Indonesia's richest businessman, is also involved in the venture.

Batam island, which in recent years has been developed into one of Indonesia's key industrial zones, is about 20 km south of Singapore.

The project's backers say the initial cost of the Batam facility will be $10m.

The facility will concentrate on Indonesia's fast expanding aerospace sector, but is likely to undertake other regional work in the future.

Singapore's aerospace industry, faced with rising wage costs and constraints on land use, has been expanding overseas. Last year Singapore Engineering, the wholly owned subsidiary of Singapore Airlines, announced it was taking a 10 per cent stake in a $63m aircraft maintenance and repair facility being set up in Xiamen in China.

Last month Singapore Aerospace and other Singapore companies said they would be taking a 46 per cent share in another aircraft repair centre at Shenzhen in southern China.

NEWS IN BRIEF

EU starts probe into microdisk prices

The European Commission said it was investigating charges that imports of microdisks from the US, Mexico and Malaysia were sold at unfairly low prices in the European Union, Reuter reports from Brussels. The inquiry followed a complaint by the Committee of European Diskette Manufacturers that prices at which 3.5in microdisks were sold in the US and Mexico did not permit recovery of costs plus a reasonable profit margin.

HK chooses bidders

Hong Kong has selected 16 consortia from 15 countries to bid for two large contracts, estimated to be worth around HK$8bn ($1bn), for its new airport, Reuter reports from Hong Kong. One contract is for construction of the passenger terminal and the other for passenger terminal building services, including mechanical, electrical and hydraulic aspects.

S Korea car exports

South Korea exported 50,171 vehicles last month, up from 44,701 a year earlier, according to the Korea Automobile Manufacturers' Association, agencies report from Seoul.

ICI Taiwan plant

ICI will invest $300m to set up a pure terephthalic acid (PTA) plant in Taiwan in what will be one of largest foreign investment projects on the island, Reuter reports from Taipei.

VW enters joint venture to produce cars in India

By Shiraz Sidhva in New Delhi

Volkswagen of Germany, the leading European carmaker, has linked up with Eicher Goodearth, the Indian motor vehicle and tractor manufacturer, to produce and market a range of Volkswagen cars for the Indian market.

The two companies announced that the new joint venture company would invest up to Rs6bn ($191m) in a manufacturing plant, expected to start production in 1997. The two partners would start the venture and decide the extent of equity for each company after a feasibility study.

Volkswagen will be competing with several of the world's leading carmakers to establish a presence in India's newly liberalised passenger car market, which is estimated to double by the year 2000 to between 450,000 and 500,000 cars.

These include General Motors, Chrysler, Ford, Peugeot, Daimler-Benz, Volvo, Hyundai, Mitsubishi and Daewoo.

VW will also have to compete with the Indian Maruti, made in collaboration with Suzuki Motors of Japan, which has a dominant place in the Indian market.

Mr Martin Posth, VW board member and chairman and president of Volkswagen Asia-Pacific, said that his company considered India one of the world's major emerging markets, especially since Asia is expected to account for most of the growth in the global vehicle market.

Mr Posth said his company chose Eicher as a partner because of its widespread distribution network and professional management.

Eicher manufactured India's first tractor in 1960 and entered into the light commercial vehicles sector in the 1980s, manufacturing small trucks and pick-up vans in collaboration with Mitsubishi Motor Corporation of Japan. Eicher has achieved a local content of over 90 per cent for these vehicles.

Volkswagen is keen to maximise the level of local content, and hopes to capitalise on Eicher's experience in this area. Only then could their cars be competitive in the Indian market, Mr Posth said, indicating that his company would focus initially on medium-sized cars.

Mr Vikram Lal, chairman of the Eicher group said that India offered the VW group the advantage of a diverse and cost-effective additional automobile base.

Volkswagen will not restrict itself to a single model, but proposes to introduce a range of cars in India – though focusing initially on medium-sized cars – unlike several other global vehicle giants entering the market with a single car.

● Bharat Shell, a joint venture between the Indian government-owned Bharat Petroleum Corporation and Shell Overseas Investment, is to construct a new lubricant blending unit at Uran, near Bombay, to manufacture Shell brand lubricants for the Indian market, writes Shiraz Sidhva.

Mr Vikram Mehta, managing director of Bharat Shell, said yesterday that the company decided to set up its own unit because of capacity constraint at Bharat Petroleum's unit at Bombay, where the Shell range of lubricants are blended. The Rs1.3bn company, in which Shell has a 51 per cent stake, hopes to enter India's domestic liquefied petroleum gas (LPG) market, which the government has yet to privatise.

Bharat Shell already manufactures LPG for industrial use for markets in western India and plans to enlarge the spread its network nationally.

Volkswagen is to import light trucks from Brazil for sale in the European market for the first time, *writes Kevin Done*.

The introduction of the Brazilian-built 7.5 tonne truck, the L80, is aimed at closing a gap in the VW range of light commercial vehicles caused by the termination early last year of its previous light truck joint venture with MAN, the German truck and bus maker.

The L80 was originally developed by Autolatina, Volkswagen's majority-owned Brazilian subsidiary, for the South American market.

Volkswagen said that it was planning to sell around 2,500 trucks in a full year in Germany, where the L80 will go on sale from the start of next year. It will be launched a year later in several other European markets.

The L80 truck will be supplied from Brazil as a chassis-cab with Brazilian-produced engines supplied by a local subsidiary of MWM, a German engine manufacturer.

VW said that it was seeking eventually to expand its presence in the west European commercial vehicle market to include trucks up to 10 tonnes in addition to its present range of German-built vans, light trucks and pick-ups.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.4
1986	105.5	100.9	6.9	98.0	107.1
1987	108.4	106.0	6.1	105.5	108.2
1988	112.6	110.7	5.4	106.1	112.1
1989	115.6	112.4	5.2	99.3	110.6
1990	116.4	112.4	5.4	84.6	108.3
1991	114.0	110.3	6.6	62.2	111.6
1992	117.6	112.9	7.3	60.3	116.8
1993	123.8	117.6	6.7	65.3	123.2
3rd qtr.1993	5.9	4.2	6.7	66.0	119.6
4th qtr.1993	5.8	4.3	6.4	69.4	123.2
1st qtr.1994	7.3	5.0	6.5	71.3	124.1
2nd qtr.1993		5.5	6.1	74.7	123.4
August 1993	6.0	4.3	6.7	66.7	118.6
September	5.5	4.4	6.6	65.5	119.6
October	5.5	4.1	6.6	68.5	120.8
November	5.9	4.2	6.4	68.9	122.2
December	6.0	4.6	6.3	70.7	123.2
January 1994	4.8	4.9	6.6	66.7	123.6
February	7.2	4.6	6.4	72.9	123.7
March	10.1	5.4	6.5	74.3	124.1
April	7.0	5.0	6.4	73.5	124.1
May	5.5	5.7	6.0	76.4	123.7
June		5.9	5.9	74.1	123.4
July		5.7		76.6	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	97.0
1986	106.5	99.7	2.8	94.3	105.9
1987	113.8	103.1	2.8	108.3	115.2
1988	122.6	113.1	2.5	135.9	122.1
1989	132.5	119.7	2.2	147.0	124.9
1990	141.6	124.5	2.1	149.8	122.0
1991	144.5	126.8	2.1	144.2	119.4
1992	139.9	119.0	2.1	124.2	118.7
1993	131.8	113.6	2.5	108.6	125.9
3rd qtr.1993	–6.0	–4.8	2.5	101.7	124.8
4th qtr.1993	–6.0	–4.2	2.7	103.3	125.9
1st qtr.1994	–3.4	–3.1	2.8	101.7	130.1
2nd qtr.1993		–1.1	2.8		131.6
August 1993	–5.6	–2.5	2.5	102.3	124.2
September	–5.6	–6.1	2.8	100.3	124.8
October	–6.0	–6.0	2.7	98.6	125.2
November	–6.5	–3.2	2.7	111.8	125.2
December	–2.5	–3.5	2.8	99.5	125.9
January 1994	–2.0	–2.7	2.7	97.0	127.1
February	–3.2	–4.4	2.9	97.7	128.4
March	–5.0	–2.2	2.8	110.7	130.1
April	–1.9	–2.0	2.8	99.5	131.0
May		–1.8	2.8	103.7	131.2
June		0.7	2.8		131.6
July		–0.5			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.2
1986	103.3	102.2	6.4	136.4	105.0
1987	107.4	102.6	6.2	149.4	106.0
1988	110.5	106.3	6.2	164.8	112.2
1989	114.1	111.4	5.6	218.7	115.1
1990	123.5	117.2	4.8	261.1	115.6
1991	130.5	120.8	4.2	270.7	112.7
1992	127.7	119.1	4.6	260.2	106.1
1993	122.3	110.8	5.8	198.5	113.1
3rd qtr.1993	–2.2	–6.4	5.9	194.9	111.4
4th qtr.1993	–5.9	–3.1	6.3	178.4	113.1
1st qtr.1994	0.3	0.0	6.5	194.2	116.3
2nd qtr.1993	–2.2	3.0	6.6	186.1	119.6
August 1993	–0.7	–5.6	5.9	195.7	110.7
September	–2.1	–5.7	6.0	186.6	111.4
October	–3.8	–4.3	6.2	175.1	112.1
November	–5.1	–4.0	6.3	179.2	112.5
December	–6.5	–1.0	6.3	180.9	113.1
January 1994	0.3	–1.7	6.4	189.2	113.9
February	0.4	1.0	6.5	195.8	115.0
March	0.2	0.7	6.5	195.8	116.3
April	–6.1	2.8	6.6	192.5	117.9
May	2.0	2.3	6.6	186.7	118.7
June	–0.3	4.1	6.6	185.1	119.6
July		7.5		186.7	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.5	100.0	101.9
1986	102.4	101.1	10.4	107.2	109.1
1987	104.5	103.1	10.5	117.7	108.6
1988	107.9	107.3	10.0	134.9	113.8
1989	109.5	111.3	9.4	161.1	113.5
1990	110.3	112.9	8.9	163.0	108.2
1991	110.3	113.2	9.4	127.6	109.5
1992	110.5	113.2	10.4	111.8	106.0
1993	110.7	109.9	11.7	90.4	111.1
3rd qtr.1993	0.4	–2.9	11.9	88.6	108.5
4th qtr.1993	–0.5	–1.5	12.3	79.7	111.1
1st qtr.1994	1.4	0.3	12.5	93.9	113.6
2nd qtr.1994	–1.3	3.4	12.6	111.6	114.8
August 1993	–1.2	–3.0	11.9	85.4	107.7
September	1.2	–3.1	12.1	87.7	108.5
October	–2.7	–4.4	12.2	84.0	109.3
November	2.0	–0.1	12.4	79.8	110.4
December	–0.6	–0.0	12.4	77.7	111.1
January 1994	0.7	1.2	12.5	82.7	111.6
February	1.4	–1.0	12.5	95.4	112.3
March	2.0	0.6	12.6	103.6	113.6
April	–3.9	3.6	12.5	114.0	114.8
May	3.1	3.6	12.7	110.2	115.1
June	–2.7	3.1	12.6	108.7	114.8
July					114.4

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	103.9
1986	106.8	104.1	10.4	110.7
1987	112.1	106.8	10.9	112.8
1988	107.9	114.2	10.9	117.8
1989	116.9	118.7	10.9	115.9
1990	114.4	118.0	10.3	112.0
1991	111.0	115.4	9.8	115.0
1992	116.9	115.4	9.8	111.7
1993	114.2	112.9	10.2	121.6
3rd qtr.1993	–1.4	–0.8	10.3	118.8
4th qtr.1993	–6.9	–0.3	10.7	121.6
1st qtr.1994		–0.9	10.8	123.3
2nd qtr.1994				
August 1993	1.2	0.8	n.a.	117.4
September	1.1	0.5	n.a.	118.9
October	–5.6	–1.3	n.a.	119.9
November	–5.4	–1.4	n.a.	120.8
December	–9.9	1.9	n.a.	121.6
January 1994	–6.2	–3.5	n.a.	122.2
February		–0.2	n.a.	122.9
March		1.0	n.a.	123.3
April		6.9	n.a.	123.5
May		2.8	n.a.	123.5
June			n.a.	
July			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.2
1986	105.3	102.4	11.2	116.1	105.7
1987	110.7	106.5	10.3	141.2	110.2
1988	117.8	111.6	8.6	144.9	108.5
1989	120.1	114.0	7.2	124.7	106.1
1990	121.1	113.7	6.8	98.1	103.5
1991	119.6	109.2	8.8	68.9	106.0
1992	120.5	108.7	10.0	70.1	112.6
1993	124.6	111.3	10.3	77.2	121.1
3rd qtr.1993	3.6	2.4	10.4	77.4	118.8
4th qtr.1993	3.7	3.2	10.1	82.7	121.1
1st qtr.1994	3.5	4.1	9.9	84.0	123.5
2nd qtr.1994	4.0	5.7	9.5	88.7	124.0
August 1993	3.6	2.4	10.4	77.8	118.0
September	3.4	1.7	10.3	77.5	118.6
October	3.2	2.2	10.2	80.6	119.4
November	3.8	3.7	10.1	83.5	119.8
December	4.2	3.9	9.9	83.7	121.1
January 1994	3.9	4.4	10.0	84.3	112.2
February	2.8	3.9	9.9	84.5	123.1
March	3.7	4.1	9.7	84.7	123.5
April	4.3	6.0	9.6	87.6	123.3
May	4.3	5.0	9.5	88.5	123.7
June	3.3	6.2		91.6	124.0
July	3.8				

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Length of life linked to social status

By Andrew Derrington

Low social status rather than the impact of poverty is the main reason poor people live less long than the rich and become ill more often, the British Association biennial meeting in Loughborough, central England, heard yesterday.

Professor Robert Evans, a health economist from the University of British Columbia, used studies of monkeys living in captivity, free-living baboons in East Africa and domesticated London's Whitehall civil servants (government employees) to back his argument that ill-health is caused by the stresses of social interaction between people – or baboons – of different status.

Civil servants were divided into four categories of increasing status. Those in the upper echelons had longer life expectancy and lower incidence of disease than those in the categories beneath them.

The baboons of the Serengeti showed a similar difference in health status correlated with their position in the pecking order.

Reasons for the difference also emerged from measurements of stress-related hormones (glucocorticoids) and low density lipoproteins (LDL) in blood samples taken at different times after social contacts between males of different status.

Glucocorticoid levels are higher in males of low social status. Levels in both groups peak after encounters in which dominant males yawn at low status males – to show their teeth – while the low status males are eating or mating.

The higher glucocorticoid level in submissive baboons persists long after the encounter. Long term glucocorticoid elevation also causes increases in LDL, a risk factor for heart attack. High LDL levels are found in the blood of low-status but not high-status males.

To measure glucocorticoid levels it was necessary to shoot the baboons with anaesthetic darts to take blood. This could not have been done with the civil servants, nor is it likely that their superiors yawn at them while they are mating. Nevertheless the measurement of their disease rates leave little doubt that the results would have been similar. Prof Evans argued that changes to the NHS could not remove the inequality between rich and poor, because that difference does not result from differences in treatment.

● The number of people claiming welfare benefits are underestimated by at least a third, according to a new social survey whose first results were released at the British Association meeting.

The survey, funded by the Economic and Social Research Council, shows that people are moving in and out of jobs, family relationships and welfare programmes far more quickly than in the past - and more quickly than social scientists had previously realised.

● Success in reducing the sort of industrial pollution that causes acid rain would increase the rate of global warming through the greenhouse effect, the British Association heard.

Dr David Carson, director of the Hadley Centre for Climate Prediction and Control at the UK Met Office, said: "It is now known that sulphur dioxide emitted in industrial processes can lead to sulphate particles, which reflect sunlight back to space and cool the surface – an effect opposite to that of the greenhouse effect."

Figures cool fears of swift UK rate rise

By Gillian Tett and Alison Smith

The patchy nature of the recovery in UK consumer sentiment was underlined yesterday after official figures showed that consumer borrowing and new mortgage lending fell back sharply in July.

The figures disappointed the City of London and slightly dampened fears about an imminent rise in UK base rates.

Mr Kenneth Clarke, UK chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, will hold their monthly monetary meeting tomorrow. But although financial markets still indicate that an interest rate rise will occur soon, the weaker consumer data yesterday led some economists to suggest that the increase might be delayed until late this year.

The Central Statistical Office yesterday said that net lending to consumers through finance houses, credit cards in the Visa and Mastercard system and non-mortgage building society loans fell to a seasonally adjusted £296m in July. This was sharply lower than in June, when net lending surged to a record level of £683m.

Measured on a three monthly basis – a more accurate guide – net lending to consumers fell to £1.19bn in the three months to July, down from £1.28bn in the three months to April.

The main reason for the monthly fall, the CSO said, was a significant repayment of credit card debt. But with monthly credit figures notoriously volatile, analysts were devided about the significance of July's drop.

Nevertheless, doubts about the strength of consumer sentiment were reinforced with the publication of figures for new mortgage lending in July by the Bank of England. On a seasonally adjusted basis, all the statistics for lending undertaken and loans approved in total by banks and building societies showed that activity in July was at a lower level than in June.

Meanwhile, in another development that also added to City doubts about an imminent rate rise, figures from the Bank of England yesterday showed that the annual rate of growth for M0, the narrowest measure of money supply, fell to 6.2 per cent in August – its third consecutive monthly slowdown.

New twist in row over Savoy hotels

By Michael Skapinker

Mr Giles Shepard, managing director of the Savoy hotel group, yesterday took personal responsibility for a weekend statement criticising a director for allegedly leaking confidential information. He said the statement had not been authorised by the company's board.

The statement followed reports on Sunday that Mr Shepard had sent some Savoy directors a document outlining the case for the group's continued independence from the Forte group. Forte owns 68 per cent of Savoy's shares but only 42 per cent of the vote.

The statement was seen as a reference to Sir Michael Richardson. Sir Michael denies leaking the report.

The attempt to resolve the 13-year dispute between Forte and the Savoy senior management is expected to continue at a Savoy board meeting on September 13.

Mr Rocco Forte, Forte chairman, has been attempting to persuade shareholding trusts controlled by the Wontner family to back plans to merge the Savoy's hotels – which include the Savoy, the Connaught and Claridge's – with Forte's luxury establishments. Sir Hugh Wontner was president of Savoy until his death in 1992.

Opponents of the merger plan are believed to be arguing that it could raise legal problems as it would give Forte control of the group without making any offer to the remaining shareholders.

Britain in brief

CMN bid for Swans collapses

Prospects for a sale of Tyneside shipbuilder Swan Hunter to French-owned Soffia/Constructions Mecaniques de Normandie collapsed yesterday, after CMN and Swans' receivers Price Waterhouse failed to reach agreement on a deal.

The abandonment of negotiations for a going concern sale to CMN, the only prospective bidder to emerge from a worldwide search by the receivers, increases the likelihood that 164-year-old Swan Hunter, one of the world's great shipbuilding names, will close.

After final talks in London on a deal ended in stalemate, a spokesman for the joint receivers Mr Gordon Horsfield said; "The gap between us was too large to bridge and in these circumstances no purpose could be served by continuing talks to sell the business to Soffia/CMN."

He said the receivers' next task was to discuss the implications with Swans' last 660 employees. Price Waterhouse and union leaders meet today at the yard.

Growth in private beds

Private hospital beds in the UK have increased by 73 per cent since 1980, the Independent Healthcare Association says in its 1994 survey published today.

The survey shows that there are currently 222 acute (general medical and surgical) hospitals in the UK with a total of 11,520 beds. During the past 15 years there has been a net increase of 72 hospitals, with the greatest growth in the Thames health regions around London and the south east, and the Anglia & Oxford region.

Calor Gaz strike ballot

Blue collar workers at Calor Gaz, the gas products company, are holding a strike ballot over the introduction of personal contracts and pay cuts for some staff of up to £100 a week. The Transport and General Workers Union is balloting some 370 drivers, filling plant operators and distribution workers at the company and an additional 50 drivers working for Calor Transport, the contracting transport division.

The dispute arose, said the union, when management approached manual employees earlier in the year proposing the cancellation of their union-negotiated collective agreement and replacing it with personal contracts.

More than 200,000 people visited Buckingham Palace, the London home of Queen Elizabeth 11, in the first four weeks of this years open season – up 40 per cent on last year's experimental opening. Profits look likely to exceed £2.5m, compared to £2.2m last year.

Blair faces union calls

The leaders of the two largest Labour-affiliated trade unions warned Mr Tony Blair, the new Labour Party leader, not to pursue his modernisation strategy at their expense.

Mr Bill Morris, leader of the 950,000-strong TGWU general union, said that the "jury is still out" on the Blair leadership and described as "a bit of an insult" Mr Blair's recent description of the unions as a pressure group like any other.

"We are more than a pressure group we have a special constitutional link with the party," said Mr Morris, just prior to Mr Blair's visit today to the Trades Union Congress in Blackpool.

Mr John Edmonds, leader of the GMB general union, said that an agreement had been reached with the new party leadership that there would be no further changes in the party-union constitutional links prior to the next election.

£60m university plan for docks

Four universities have joined with the London Docklands Development Corporation in a consortium to build a £60m university campus in east London's disused Royal Albert Docks - down river from the big office development at Canary Wharf.

The group, which also includes London East Training and Enterprise Council and the Labour-controlled Newham borough council, has made a formal bid for £10m from the government's new single regeneration budget, which brings together the urban regeneration budgets of a number of different government departments.

This is, the consortium says, its first and "potentially most critical" request for funds.

OFT may look at drug pricing

The Office of Fair Trading yesterday said it would challenge fixed prices for over-the-counter drugs and medicines if it succeeds with similar action to end the Net Book Agreement.

Although it has only begun a preliminary examination of pharmaceutical retailing, the OFT warned that the removal of a system of prices fixed by manufacturers on proprietorial drugs would be a logical move if the Restrictive Practices Court accepted its demand to end the system that allows publishers to set minimum cover prices for books – the only other area still covered by retail price maintenance.

"We are looking at pharmaceuticals, but it is early days and any action would await the preliminary court hearing about the Net Book Agreement," said an OFT spokesman.

That hearing is not expected before next year.

Air strike threat receeds

The threat of strike action at Brittania Airways, the UK's second largest airline, was receeding last night after the company improved its pay offer to cabin staff.

The 1,000 cabin staff, members of the British Airlines Stewards and Stewardesses Association, part of the TGWU transport union, had voted to take strike action in support of a pay claim worth between 11 per cent and 15 per cent for different grades of staff.

The company had responded by finding volunteers from other companies in the parent Thomson Travel Group who it was training to take over cabin staff duties in the event of a strike.

The new pay deal is worth three per cent on basic pay this year with a lump sum payment to make the annual rise worth about five per cent. In addition the company has agreed to increase the incremental pay scales for senior cabin crew by £100.

TV talks on digital code

Britain's rival broadcasters have got together to try to boost the chances of launching digital terrestrial television in the UK.

The BBC,Channel 4 and representatives of the ITV system have been co-operating to try to find a way to launch what could be as many as 16 new television channels. The new channels would use digital as opposed to existing analogue technology but would be broadcast from normal land-based transmitters.

Exploratory meetings have already been held between the broadcasting organisation and more are planned. A key stage in the process is,however reaching agreement on a Euuropean-wide standard for digital terrestrial.

The Digital Video Broadcasting project, which brings together 140 broadcasting organisations and manufacturers, has already produced standards for digital satellite cable and is now at work on an agreed standard for digital terrestrial.

Mayhew sees positive role for US

Tim Coone talks to the N Ireland secretary about the exact nature of the pledge required to bring Sinn Féin into consititutional talks

Sir Patrick Mayhew, the Northern Ireland secretary, is hopeful that the Republican movement will respond to British requests for clarification of the IRA ceasefire and that the process of involving Sinn Féin in direct exploratory talks leading to round-table negotiations can begin within three months.

In an interview with the Financial Times yesterday, he explained why London, unlike Dublin, does not yet accept IRA bona fides that the violence is permanently over and what role he hopes the US will play in the peace process.

He also hinted at the contents of a forthcoming "framework document" for round-table talks, currently being drafted by the British and Irish governments.

He described the ceasefire as "a remarkably important step and a very welcome one. There was no condition attached. There was no finite character to it. Those are very welcome features."

But he said the "profound levels of suspicion which are endemic on both sides of the community and very strongly present in the Unionist side" made it essential to clarify that the ceasefire was permanent.

"Both governments have insisted that there shall be a permanent end to violence. I don't doubt for a minute the sincerity with which the Irish government believe that it is over for good. We have to be satisfied from what these people say themselves about their own intentions.

"We are not insisting on a particular form of words. We just need to have an unequivocal assertion that they intend it should be over for good."

In a seeming effort to make it easier for Sinn Féin, the political wing of the IRA, and the Republicans to respond, he repeatedly stressed that the key to opening the door to talks is a public assurance by Republicans that the "intention" behind the ceasefire is a permanent end to the violence.

Mr Gerry Adams, the Sinn Féin president, wrote last week in the Irish Times that Dublin, the US and the nationalist Social Democratic Labour Party in the province have responded "positively and correctly" to the ceasefire. Sir Patrick said "that just falls short, why not just say 'they got our intention right'. If Mr Adams were to say 'the Irish have correctly perceived our intention, to give it up for good' that's fine. Why not say it?"

He ruled out a proposal mooted in Dublin last week for a trilateral heads of state summit between the US, the UK and Ireland, but said he sees "a very positive role" for the US in using "its unique channels of communication with Republicans" to persuade them of "making it plain publicly that they intend that violence is over for good."

The US understands the "realities" of Northern Ireland, he said, and it would be "very helpful" if the Clinton administration were to point out to the Republican movement "the genuine basis for the British government's uncertainty" over IRA intentions.

Looking ahead, he said that the framework document to kick-start renewed all-party talks later this year, will be a negotiable document. "There is no question of imposition." He acknowledged ongoing difficulties but said London now accepted that amendment to the Republic's territorial claim to Northern Ireland "would need to be put as part of an overall package."

This will be essential to win Unionist support for an overall accommodation, he said.

He was ambivalent on whether Dublin's insistence on amendment of the 1920 Government of Ireland Act which established partitition as a quid pro quo, will be included in the framework document.

"Everybody knows the Government of Ireland Act is relevant to the package. What the circumstances in which they are going to be relevant maybe time will tell," Sir Patrick said.

He said that the dispute over whether future cross-border structures would have executive powers could possibly be dealt with by legislatures in both Northern Ireland and the Republic delegating powers to joint boards or bodies. "That seems to make a lot of sense," he said.

MANAGEMENT: THE GROWING BUSINESS

—In a— Nutshell

Putting the marital home on the line

Before you put your house on the line to obtain finance for the business, tell your spouse. According to chartered accountants Moores Rowland, banks are increasingly likely to insist that partners know the full extent of their other half's commitments before agreeing overdrafts.

The concern follows the case of *Barclays Bank v O'Brien*. The House of Lords has ruled that a charge the bank had on the marital home should be set aside because it was felt the bank had failed to bring home to Mrs O'Brien the risk which she ran by signing the documents.

Mrs O'Brien's husband had led her to believe the security was limited to £60,000 and would be in place for only three weeks, says David Rogers, Moores Rowland partner. When the overdraft reached £150,000 the bank brought proceedings to enforce the charge.

The charge was set aside because the document Mrs O'Brien signed secured finance to her husband's company in which she did not have an interest.

Most companies flout safety laws

Seventy per cent of UK companies admit they are not complying with health and safety legislation 18 months after it came into force, according to Eagle Star, one of the UK's largest employer's liability insurers.

Only 30 per cent of the 405 companies surveyed had fully implemented changes required by the workplace safety regulations which came into effect in January 1993. The activities covered were as varied as the use of visual display screens and manual lifting of loads.

Eagle Star says companies are running the risk of prosecution and unlimited fines. Moreover, accidents are costing employers 30m lost working days a year.

Expect the unexpected

Hidden costs can mean the difference between success and failure, explains **Steven Sonsino**

Starting a business is a dream for many people. But turning that dream into profitable reality is much tougher than anyone ever admits.

The biggest difficulty for the new business is invisible: hidden costs. These unexpected expenses cannot be budgeted for and can mean the difference between survival and going under.

"None of the business advisers that I spoke to gave me any hint that huge bills can suddenly be slapped on you," says Christina Simons, managing director of Simons Communications. She launched her Surrey-based public relations company in February 1993 and won the Lloyds Bank Award for Best Financially Controlled Business in Sutton in May 1994.

For Simons, cost control is critical, but hidden costs undermine that control. "With no idea of what you face in advance, there is no way you can plan what you need precisely. You can't calculate your set-up costs accurately."

I launched a small company in 1993, the Journalism Training Centre, and borrowed £30,000 from Barclays for computer equipment.

The bank was unable to tell me the precise cost of arranging the loan until just before we signed the agreement. It turned out to be £300.

Another cost arose because the Loan Guarantee Scheme is available only for companies with no security for the loan. So Barclays demanded I sign a debenture, establishing a charge over my assets. For arranging the debenture, the bank charged an additional £175. I challenged this cost and it was eventually waived.

To discover the total expense forced on the centre over the past 18 months, I analysed all of its set-up costs. Of the £80,000 spent equipping it, I discovered that hidden costs accounted for a quarter – more than £20,000.

The largest hidden cost occurred when the centre moved into a three-storey unit in a modern business park in Mitcham, Surrey. The Sun Alliance insurance company demanded the installation of security equipment to protect the computers.

A security consultant recommended extra door and window locks, as well as an infra-red sensor system on all three floors. I was advised to mark all electronic equipment indelibly and to install metal shutters on the ground floor.

Another hidden security cost was revealed when the alarm was linked by telephone line via a monitoring station to the police. British Telecom charged £150 to install the line and £450 annual rental. This was a surprise, and brought security costs to £5,400.

Office telecommunications also proved surprisingly expensive: eight lines for the switchboard and a fax line cost £1,350. Visits by BT engineers to check the system cost £25 each. The installation bill – excluding switchboard, fax and handsets – amounted to £1,570.

While BT and other public utilities cost more than expected – extra power points, for example, and inaccurate heating estimates amounted to further costs of £3,825 – another hidden extra arose from our suppliers.

One of my colleagues says he is especially annoyed by the poor service most suppliers provide. It always involves extra costs, he claims. Simons, too, is angry over suppliers' service. "However long suppliers say delivery or installation will take, it always takes twice as long. And many of them foul up."

The worst suppliers in her experience are computer dealers and telecommunications suppliers. "BT cut us off by accident on our second day of trading," she says. "It took me hours to sort out. And that's another hidden cost – management time."

The most costly supplier setback at the Journalism Training Centre was the late delivery of a computer system. The hardware was delayed by nine days, forcing me to borrow software and rent machines for the trainees. It cost £2,100.

'However long suppliers say installation will take, it always takes twice as long'

The software never arrived. I am now in dispute with the supplier. If you are going to have to rely on a piece of equipment, be sure to allow extra time for delivery.

What is disappointing is that so little of the small business literature, and so few consultants, prepare the entrepreneur for hidden costs. Even with the best of present advice, up to a fifth of all small businesses in the area, the London Borough of Sutton, go out of business in their first year. A third or more – 30 to 40 per cent – go down in the second year.

John Wren, former executive director of the Sutton Enterprise Agency, says: "When I review any business plan I look to have a contingency figure in there. People ask what it is for and I tell them: 'If I knew what it was for, it wouldn't be a contingency.' There rarely is enough there to cover the hidden costs."

For many entrepreneurs, on the threshold of creating their business dream, unexpected expenses can be a recurring nightmare.

To minimise these surprise extras, businesses can try to follow this checklist:

- Shop around for suppliers, but remember that a short-term gain from a cheap supplier could be a long-term loss.
- Cost control is an important key. Simons says: "If it isn't vital for life we don't buy it."
- Get every detail of every deal with every supplier in writing.
- Before you launch a business, talk to someone who has already done it. Ask what their hidden costs are.
- Build in a contingency factor: add an extra 33 per cent to your most accurate quote on everything.

Hidden costs of starting a business

BANK Includes loan arrangement fees	£463
COMPUTERS Includes disputed overpayment, emergency rental costs and maintenance contract with new supplier	£6,750
COPIER Extra lease payment as security	£1,430
ELECTRICAL INSTALLATION Includes connection, installation of power points and difference between initial power quote and actual annual invoice value	£3,825
LANDLORD Includes rent deposit and cost of planning application	£1,250
SECURITY Includes locks, alarms and sensors; registration and monitoring fees; metal shutters; security marking labels	£5,400
TELECOMMUNICATIONS Includes installation costs	£1,570
TOTAL HIDDEN COSTS	£20,688

N.B. All figures exclude VAT and budgeted capital expenditure, eg computers, switchboard and copier

From 'must have' to 'nice to have'

Richard Gourlay looks at one man's way of reinvigorating sales

You have developed a business on the back of one niche product. The business has taken off but large competitors are catching up and sales growth is levelling off. How do you reinvigorate sales? The answer is, with difficulty.

One approach is to work with the existing product – push it into different markets or develop it further. Another is to launch a new product for the same customer base.

Martin Yates, managing director of Saladin, an information technology company, had this problem and adopted the second approach but found it threw up all sorts of unexpected challenges.

Saladin's original product was directed at the global oil trading markets and provided traders with data consultancy services and software to manipulate information. If you wanted to know the value of products that could be refined from a Nigerian crude oil at any refinery – the so-called net-back calculation – Saladin's service provided it.

Yates and his partners bought an early prototype and some software from the Guiness Peat group where he was working as the ailing banking group cut back its peripheral operations in 1986. With backing from a Gulf investor, his team developed the product, launched it at the 1987 Institute of Petroleum oil conference and soon after won an order from Exxon in New Jersey.

From a standing start, Saladin found its Petroleum Analysis Work Station took off, and before the company was walking it was setting up international offices near its customers.

Then the momentum began to flag. "Three years ago we realised we had penetrated pretty deeply and we had to do something else," says Yates.

"Each incremental sale was getting more difficult. As competition was increasing, the challenge was how to get sales from £3m to £5m and £15m."

Yates recognised what dealers wanted was the same information in a Windows environment and a way of pulling together on one screen different feeds from diverse sources such as Reuters, Platts and Knight Ridder. But most of all they wanted the manipulated historical data integrated with real-time information.

The first problem was getting additional backing. The business was only breaking even and Yates anticipated development costs could be as high as £2m. Yates's original backer was not interested in growing the company. Finally the investor was persuaded to sell to venture capitalists including Advent UK and Geocapital.

Another problem was the development project itself. In order to bring in fresh ideas – and to avoid taxing the management team's time – Yates brought in an external information consultant on contract. But while he knew his subject backwards, he trod on toes and put noses out of joint.

"He challenged the status quo, which was good," says Yates. "If we were going to compete with Reuters and Telerate we needed something different."

Taking on an outsider was "a real flyer", Yates says. "It created tremendous turmoil. I did not realise the organisational and human problems that would be caused by it."

Saladin spent an amount equal to a quarter of its 1992 turnover developing the new product. But inevitably, it was not able to develop the new Crusader product without additional backing and further dilution for the founder shareholders.

But Saladin did get its new product. Yates says the company will be profitable this year and next year sales should rise to £7m, although leads are only slowly turning into firm orders.

"The first product was certainly easier because there was a gap in the market," he says. "The new product is not a 'must have' but a 'nice to have'."

Was there an alternative strategy, like not developing a new product? Yates says no. Quite apart from technological change, which meant traders wanted real-time information on Windows, Yates had no intention of managing a small business that was not growing.

BUSINESS AND THE LAW

Louise Kehoe on the implications of labels on computer keyboards

Warning note is sounded

The recent decision by Compaq Computer of the US to put a health warning on the keyboards of its personal computer products is expected to have a significant impact on computer-related personal injury litigation worldwide.

Compaq's label draws users' attention to the risks of repetitive strain injury (RSI) – an umbrella term for disorders with symptoms including swelling and chronic pain in the hands, arms and shoulders. In the US, more than 2,000 law suits have been filed against computer manufacturers by individuals who claim to have been injured through using keyboards.

The UK and Australian courts are also handling numerous injury claims. Unlike in the US, where employers are largely protected from liability for workplace injuries by workers' compensation insurance, employers are the primary target of litigation in countries such as the UK.

US lawyers say that Compaq, the world's largest personal computer manufacturer, has started using the warning label to limit its liability to future claims. However, Compaq's action may increase the vulnerability of other computer makers, as well as employers, to injury claims.

The US version of Compaq's keyboard label reads: "WARNING! To reduce risk of serious injury to hands, wrists and other joints read the Safety & Comfort Guide." The guide reinforces the message in even stronger terms: "There may be a risk of serious injuries from working at your computer workstation" (Compaq's emphasis). It then gives guidelines on minimising the risk.

The warning "represents an acknowledgment that there is an association between keyboard use and injury", says Mr Arnold Lakind, a partner in the New Jersey firm of Szaferman, Lakind, Blumstein, Watter and Blader, which is representing about 200 plaintiffs in RSI complaints against computer companies in the US.

Lawyers acting for people bringing RSI cases against employers in UK courts also regard Compaq's statement as significant. They say it is the first explicit admission by a manufacturer that the use of keyboards can be dangerous.

According to Mr Lakind, Compaq's move is wise. The label "will help Compaq immensely because, to the extent that somebody uses the keyboard after the warning, they may be assuming the risk of further injury. It is a very positive move by Compaq."

Risk control: Compaq is putting warnings on its PC keyboards

He points out, however, that Compaq's action may have repercussions for other manufacturers. "In several respects, Compaq's warning labels increase the liability of other manufacturers that do not put labels on their products."

Compaq has demonstrated that there is an effective way to alert users to the risks of keyboard use, says Mr Lakind. "Other companies now have a greater likelihood of being sued, because Compaq has shown that it is feasible to warn users while other companies have declined to do so."

Similarly, UK lawyers acting for insurers or employees say warning labels will undermine the argument that employers are unaware of the dangers of keyboard use, making it more difficult to defend against injury claims.

Mr David Scrutton of Kennedys, a law firm that often acts for insurance companies, says that employers will be under increased pressure to abide by the European health and safety directive, which compels them to take a number of precautions to avoid injuries to staff. "Just plonking a computer on a desk and relying on the manufacturer's warning will not be sufficient to satisfy these regulations," he says.

Claims by medical experts that there is no link between RSI and keyboards – a feature in some cases currently before the courts – will now be scarcely tenable, says Mr Peter Woods of London law firm Stephens Innocent.

Mr Tom Jones of Thompsons, another London firm, believes warning labels on PCs will shift the direction of court cases. Rather than arguing about the link between keyboards and RSI, they are likely to concentrate more on the efforts undertaken by employers to protect their staff – a move that could make litigation even more complex.

In what appears to have been a last-minute change prompted by legal concerns, Compaq has said that the warning label on PCs sold in the UK and Australia will be toned down. It will read: "IMPORTANT NOTICE: For comfortable and safe use please read the Safety and Comfort Guide."

The purpose of this label and of the US one is the same, according to Compaq – to draw users' attention to the guide book, which will be the same throughout the world. The different wording is a "cultural" issue, the company says.

The variation, however, also reflects the different legal climates. In the UK and Australia, where employers have been sued, computer manufacturers must balance concerns about liability with the interests of corporate customers.

In the US, it is computer manufacturers which are being accused of failing to warn customers about the alleged risks of injury. These cases will revolve around the question of "what the computer companies knew and when they knew it", says Mr Lakind. To date, no damages have been awarded in these product liability suits, although there are rumours of out-of-court settlements.

Because there is no definitive scientific evidence linking keyboards to injuries, other computer manufacturers have so far been reluctant to issue warnings. "A warning suggests that there is a problem with the product," says one official at IBM, the computer giant. IBM maintains that it is the way that some people use the products, rather than an inherent feature of keyboards, that can cause injuries. The company has no plans to put a warning label on its keyboards.

However, Microsoft, the leading supplier of software for PCs, which is soon to introduce its first keyboard, will put a warning label on the product, a company official says. And members of the Center for Office Technology, a US PC industry group that has focused on RSI problems, plan to meet this month to reconsider the labelling issue.

The outcome of an RSI claim against IBM, due to go to trial in Rhode Island next month, may determine whether warning labels become a standard feature of PCs.

If they do, and the link between RSI and keyboards becomes more explicitly acknowledged, it will be increasingly incumbent on employers worldwide to provide safeguards against keyboard-related injuries.

Additional reporting by John Mason

TECHNOLOGY

Geof Wheelwright meets the man who coined the term 'cyberspace'

Superhighway in need of a route

The technologists, politicians, and policy thinktanks have all had their say on the information superhighway. Most agree that it will not only be a place to work, but also to play. Films, books and music are all expected to become widely accessible "on-line" as the rush towards the information highway becomes a traffic jam.

But what of the artists whose work is supposed to become a featured attraction on this journey? Aside from the announced corporatist objectives of movie moguls such as George Lucas and Steven Spielberg, little has been heard from the artistic (creative) community.

A fresh perspective comes from William Gibson, the Vancouver-based author who coined the term "cyberspace" in the mid-1980s in his best-selling science fiction novel *Neuromancer*.

Gibson says the whole notion of an information highway is misconceived. He is firmly of the opinion that all of the hoopla is nothing more than an attempt by industry to sell us things we don't want and by governments to be involved where they really aren't needed. "My feeling is that it all originates from an ad agency somewhere – which is basically the US government," he says wryly. "The notion of an information highway is a bogus metaphor – what they are offering is a lot more like a [shopping] mall."

Gibson also believes that business people and politicians have no concept of why the Internet – the best example yet of a so-called "information highway" in action – is such a success, with an estimated 30m users worldwide.

"The Internet is strange. It doesn't make any money. It is transnational, beyond anyone's control. It is the great anarchist event," says Gibson. "If what these guys [in governments and industry] are calling the information highway is an infrastructure upgrade [to fibre-optic cabling and high-speed switching systems] that's great." But if they want to create a system that is controlled and generates business, "it won't work", he warns.

He doubts that the information highway will be commercially viable until whatever is behind the growth of the Internet is better understood. "Is it an historical anomaly, or is there some inherent value in the technology used to create it?" he asks rhetorically.

Gibson says that the mystery of the success of the Internet is likely to prevent it from being completely "hijacked" by commercial interests. "The commercial interests are looking at this as a medium like television," he notes. "But it is actually much more like a language than a traditional medium of communication."

Gibson says it is the universality of the Internet that makes it similar to a language – it is open to everyone and used by all manner of people. This universality is evident when you start browsing around the discussion areas – which include everything from pornography to religious fundamentalism to topics in the news.

The Internet also provides the means to break down government-imposed barriers. During the darkest days of the 1991 failed coup attempt against Mikhail Gorbachev in the old Soviet Union, for example, it was the Internet that provided an international route out for many messages about what was really happening.

Despite its usefulness as a mechanism for free speech, Gibson says it is still hard to define what anybody means when they talk about an information highway. He suggests that the technology underlying any "information highway" is currently akin to the many mechanical devices designed in the Victorian era to achieve cinema-like effects before the first really effective uses of film technology arrived.

He adds that this is partly because the potential of the various converged technologies is not really apparent until the convergence takes place – and suggests that if you look back to the turn of the century and read the Victorians' visions of what life would be like in 2000, you get some idea of how the public fascination with the possibilities of emerging technologies often outstrips any kind of realistic analysis of what the future might hold.

Hand in hand

The barriers between biotechnology and pharmaceuticals are gradually disappearing, says **Victoria Griffith**

Complementary medecine: drug discovery methods are coming closer together

The technological distinction between biotechnology and pharmaceuticals has become so nebulous that many people in the industry now differentiate simply between large companies, mostly pharmaceuticals, and small companies, mostly biotechnology groups.

Drug discovery methods in the two fields are merging to create a new multi-faceted approach. "Pharmaceuticals are starting to look at biotechnology not as a different industry but as part of their industry," says Jeremy Levin, president of New York-based Cadus Pharmaceutical. "And biotechnology companies have realised that they have a lot to learn from pharmaceutical companies in terms of drug discovery methods."

The result is a hotch-potch of tools ranging from structure-based drug design – crystallising and X-raying a molecule to come up with a computer model – to robotic screening, using robots for high-speed random testing.

Pharmaceuticals are quickly adopting what were once considered biotechnology methods. Bristol-Myers Squibb of New York, for instance, says it used computer-based design, traditionally a biotechnology tool, to help it come up with one of its best-sellers, the hypertension drug Capoten.

Biotechnology companies are becoming adept at traditional pharmaceutical strengths such as chemistry. The boundaries between the two industries have become so foggy that Chiron, a large Californian biotechnology company, is now providing chemistry assistance in a joint venture with Syntex, a neighbouring pharmaceutical group. "We're doing the chemistry, Syntex the biology," says Walter Moos, vice-president of Chiron Technologies. "That's not the way it usually works, but it just shows you how weak the divisions are these days."

Until recently, many biotechnology companies scorned pharmaceuticals' old method of random screening as nothing more than a game of chance. Pharmaceutical companies test hundreds of thousands of compounds in a laboratory until they achieve the desired chemical reaction.

Biotechnology companies believed they could find cures in a more direct manner. Structure-based design – sometimes called rational drug design – allowed them to look at molecules in detail. The answer, many believed, was to study the particular molecular site in the body where binding was desired, and design a molecule to fit into it. Biotechnology companies hoped to produce molecules like pieces of a jigsaw puzzle, creating an exact match in the right place.

The last few years have revealed weaknesses in the computer-based approach, however. Determining the structure of a site is difficult. It often depends on being able to turn a floppy protein molecule into a crystal for analysis. But the structure the computer software predicts will fit into the structure simply may not. Scientists often discover the model's weaknesses as soon as they begin testing in the laboratory.

Even if the new molecule fits into a site, it may not lead to a cure, especially for complex diseases such as cancer, arthritis or Aids. "The idea was that by targeting a single molecule, you could stop a disease," says Levin, "but most illnesses are a lot more complicated than that."

While scientists were coming to grips with the weaknesses of computer-based design over the last few years, pharmaceuticals' traditional screening methods were undergoing a renaissance. Sophisticated robotics, for instance, mean that companies can now screen compounds far faster than previously.

"It's like gambling," says Prabha Fernandes, vice-president of biomolecular screening at Bristol-Myers Squibb. "The more you play, the better the chances of getting a hit."

Drug companies are also starting to adopt screening methods which bundle dozens, even thousands, of compounds in a single test tube. Those that get no reaction are immediately discarded, rapidly narrowing the field.

Although the screening methods are becoming more sophisticated, they are increasingly viewed as just one tool in the drug discovery process. Computer-based design may not be perfect, but it can provide scientists with key leads in their search for the right molecule.

"What we're seeing is an interplay between screening and rational drug design," says Marilyn Hartig, head of external science and technology at Bristol-Myers. "The methods get worked and re-worked in a cycle until you get the molecule you want."

The biotechnology firm Procept, for example, uses structure-based design to come up with a "lead" – a clue as to what the right molecule will look like – then follows up with extensive screening. "We define shape, size and grooves and compare that to our existing database," says James Jenson, the group's chief scientist. "Then we screen only the molecules we think have a good chance of working."

Biotechnology methods can also be used to help build up a "library" of molecules for screening. Libraries – databases of natural and synthetic compounds that can be tested for effectiveness in treating certain diseases – are becoming a priority as screening regains ground. Pharmaceutical companies usually hold libraries of hundreds of thousands of molecules. Biotechnology companies are starting to catch up. Chiron, for instance, claims its library now compares in size with that at many of the large pharmaceutical groups.

The question remains whether the new multi-faceted approach to drug discovery is just an interim step as the industry waits for structure-based design methods to mature. "Rational drug design is getting stronger and will one day be able to stand alone," predicts Peter Johnson, president of southern California's Agouron, which relies heavily on computer-based design, but has, over the last few years, boosted its screening capabilities.

Meanwhile, the increasing complementarity of the drug discovery methods of biotechnology and pharmaceutical groups will probably help stimulate more collaborations between the two industries.

Non-technological distinctions between biotechnology and pharmaceutical groups remain clear. Pharmaceuticals have the capital many biotechnology companies desperately need. Biotechnology groups have the agility and entrepreneurial attitudes of smaller companies. Both need each other, and with each side crossing increasingly into the technological hemisphere of the other, collaboration should become even more fruitful.

Heat of the moment

Ceram Research, a consortium of ceramic manufacturers and electricity supply companies, is testing kiln technology that will provide savings in energy, time and spoilage.

In the UK alone the annual energy saving could amount to £12m, according to Ruth Wroe of EA Technology, the company managing the project. The potential savings in Europe would be about 10 times as much.

Microwave-assisted gas firing (MAGF) saves energy because microwaves heat ceramic objects volumetrically (uniformly). Volumetric heating eliminates the temperature stresses that occur as heat is conducted into the object from the surface in a conventional kiln.

The absence of heat stress means temperatures can be raised much more rapidly, reducing firing time. Even though microwaves are more expensive, the energy cost (typically 8 per cent of the production cost) can be reduced by up to 40 per cent, according to Wroe.

Ceramics do not absorb microwaves at low temperatures, so they cannot be fired efficiently with microwaves alone. MAGF uses conventional gas firing to raise the temperature to the point at which microwaves become effective. It may be possible to add microwave assistance to conventional kilns.

The trials for the ceramic manufacturers include the construction of three kilns. The largest will be a 15-metre tunnel kiln for large-scale trial firings of consortium members' products. The first kiln has been commissioned.

Consortium members will have the right to a non-exclusive royalty-free licence to the MAGF technology. Non members will be able to license MAGF later for a price at least three times that of consortium membership. The list of consortium members is confidential, but Wroe says it includes about half the leading UK ceramics companies.

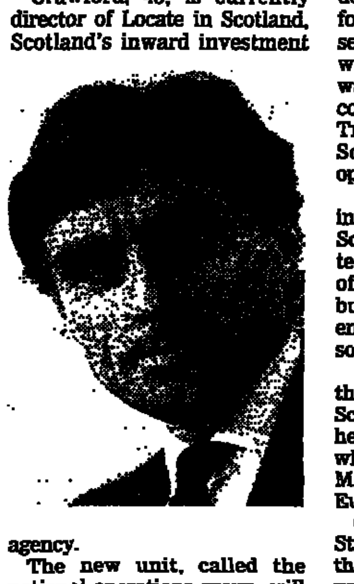
Andrew Derrington

PEOPLE

Crawford relocates to Scottish Enterprise

Scottish Enterprise, the development organisation for Scotland outside the Highlands, has put most of its key operations into a single unit and made Robert Crawford, below, its managing director.

Crawford, 43, is currently director of Locate in Scotland, Scotland's inward investment agency.



The new unit, called the national operations group, will incorporate Locate in Scotland, as well as Scottish Enterprise's Scottish and international operations division, run by Bob Downes, and its business development division under Russel Griggs. A new director will be sought for Locate in Scotland.

The new group is being created by Crawford Beveridge, Scottish Enterprise's chief executive, to integrate different parts of the organisation dealing with businesses. While foreign companies wanting to set up plants in Scotland deal with Locate in Scotland, those wanting to trade with Scottish companies may go to Scottish Trade International, part of Scottish and international operations.

Robert Crawford will now be in charge of a big chunk of Scottish Enterprise's headquarters in Glasgow, though most of the organisation's £450m budget is spent by the 13 local enterprise companies all over southern Scotland.

He has had a successful three years running Locate in Scotland; prior to that he was head of its operations in the US where he helped persuade Sun Microsystems to locate its European plant in Scotland.

Crawford was educated at Strathclyde university and was then a Kennedy scholar at Harvard.

After a spell as research officer for the Scottish National party he did a PhD at Glasgow university, then spent a year with Citibank and three years with the Fraser of Allander economic institute in Glasgow.

Hampson powers onwards

Chris Hampson, former director of Imperial Chemical Industries, is to become chairman of Yorkshire Electricity in the latest appointment of a relative outsider to one of the power industry's top jobs.

He is taking over from John Tysoe, who steps down in October after nearly 30 years in electricity.

Hampson's appointment follows that of Sir Bob Reid, British Rail chairman, as chair at London Electricity, and Nigel Rudd, chairman at conglomerate Williams Holdings, as chairman at East Midlands Electricity.

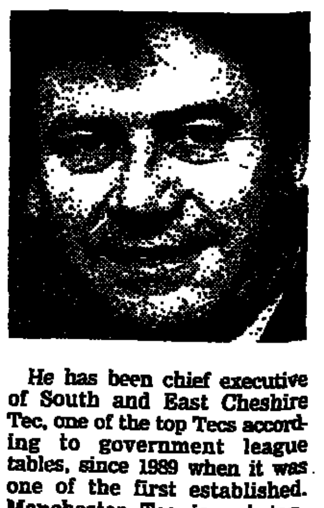
Most chief executives at the 12 regional electricity companies have come up through the ranks, but relative newcomers include Mike Hughes at Midlands and John Devaney at Eastern. Hampson joined Yorkshire's board earlier this year as a non-executive director, after a career with ICI including spells in Canada and Australia.

■ Sir Geoff Mulcahy, executive chairman of Kingfisher, has joined the Anglo-French joint board of Eurotunnel as a non-executive director, one of seven British joint board members.

Tec chief changes place

Richard Guy, one of the most innovative chief executives of a Training and Enterprise Council, has been appointed as the new chief executive of Manchester Tec.

Guy, 42, below, has played a significent role both locally and nationally in the activities of Tecs, which administer government funded training and foster enterprise.



He has been chief executive of South and East Cheshire Tec, one of the top Tecs according to government league tables, since 1989 when it was one of the first established. Manchester Tec is substantially larger than South and East Cheshire Tec and serves a more complex community.

Eadie tempted by fund management role

Colin Day, chairman of Henderson Pension Fund Management (HPFM) is a very happy man, having secured the agreement of Dugald Eadie to join as managing director of HPFM.

Eadie, 50 next month, is acknowledged as one of the leading international figures in measuring investment performance, having been with the Edinburgh-based Wood Mackenzie since 1968. He became a partner of the firm in 1973.

Wood Mackenzie was acquired by Hill Samuel in 1984, whereupon the firm's computers services business became a separate entity, known as WM Company, with Eadie as its chairman. WM Company was in turn acquired by Bankers Trust in 1987, for £9.8m.

In May this year it was reported that Eadie was standing down as chairman of WM, but would continue as a non-executive director and senior consultant.

Eadie is a figure closely associated with the creation of the UK investment performance measurement industry, as well as one of its leading exponents – hence the jubilation of Colin Day at getting him to join HPFM from November 1.

The European Federation of of Financial Analysts' Societies (EFFAS) recently appointed Eadie to establish a permanent commission on performance measurement.

Eadie too is keen to start his new role, which will be much more of a business development function.

See Observer

NON-EXECUTIVE APPOINTMENTS

■ Trevor Bonner, a director of GKN, at AVON RUBBER.

■ Roger Pinnington, former chief executive of Royal Ordnance, as chairman at BRITISH WORLD AVIATION GROUP.

■ John Irish, former chairman and chief executive of Spar, as chairman at OSTA.

■ Andrew Ball has resigned from D.C. COOK HOLDINGS.

■ Gordon Yardley has retired from AAF INDUSTRIES.

■ Henry Lewis, co-founder of Action Computer Supplies, at STANDARD PLATFORMS HOLDINGS.

■ John Prout at BERRY BIRCH & NOBLE, having retired as finance director.

■ Richard Chapman, principal of Kingsley chartered accountants, as chairman of The WASTE COMPANY; Dick Garrett has retired.

■ Robert Jolliffe, a former finance director of the company, at AUTOMAGIC HOLDINGS; Michael Pettit has resigned.

■ Michael Gurner, former md of Continuous Stationery, at SOUNDTRACS.

■ Danny Kitchen, formerly with Investment Bank of Ireland, and Rory O'Hanlon, a former minister of health and for the environment, at KINGSPAN GROUP.

■ Bill Henderson, retired from ULSTER TV.

■ Graham Waldron, chairman of Headlam Group, at RYLAND GROUP.

■ David Carruthers, md of the piston products and engine parts aftermarket division of T&N, at YORKSHIRE BUILDING SOCIETY.

■ David Sebire, resigned from HENRY ANSBACHER & Co.

■ Stephen Cockburn and Brian Holford at LAZARD SMALLER EQUITIES INVESTMENT TRUST; Bob Smith and John Williams have resigned.

ARTS

Something stirs in the southern woods

William Packer welcomes a new sculpture park on the Sussex Downs

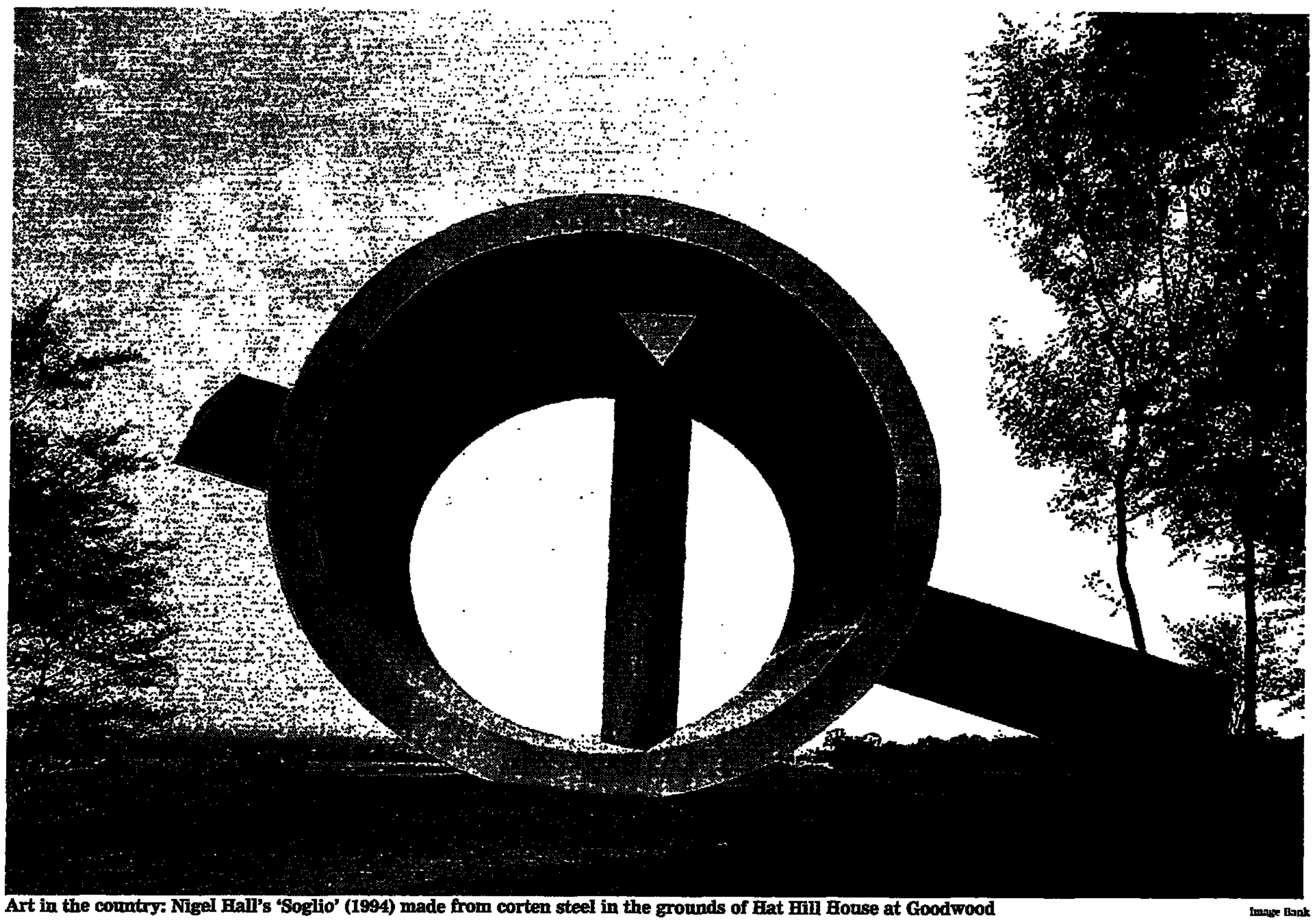
The idea of the Sculpture Park is not exactly new. Sculpture, after all, has been an art of the out-of-doors since art began, and the principle that contemporary work in particular may be shown to advantage in a sylvan or rural setting is a modern commonplace. To think of the progress from the old London County Council's pioneering shows in Battersea Park to the present Sculpture Trails through Grizedale Forest and the Forest of Dean, and to the Yorkshire Sculpture Park at Wakefield, is to make the point.

But that is not to say we have too much of a good thing. The Yorkshire Sculpture Park may now be one of the most popular cultural attractions in the entire north of England, but there is nothing yet of similar scope and permanence in the south. Whether or not the Hat Hill Sculpture Foundation at Goodwood will now supply the deficiency, we shall see. One swallow may not make a summer, and one short inaugural season hardly achieves a policy, but the initial commitment is nonetheless impressive, with £1m already raised and more to come from public and private sources.

Wilfred and Jeannette Cass have been patrons and collectors of contemporary art for many years. Needing more space, they bought Hat Hill Copse four years ago, a modern house standing in some 20 acres of woodland on the southern slopes of the Sussex Downs, close to Goodwood House. Their foundation sprang from that move. It was set up in 1991 as a registered charity. Now it has a newly-built education centre and gallery, a state-of-the-art electronic archive, a resident curator. Rides and walks have been cut through the forest, clearings cleared, sculptures begged, borrowed or commissioned.

It is a brave undertaking indeed and, for the moment, beyond criticism. The stated aims are unexceptionable – "to promote the understanding, enjoyment and development of contemporary sculpture; to support artists and designers; to act as a catalyst and focus for siting sculpture in the open air." We may boggle a bit at the thought of the focused catalyst, or perhaps it is a catalytic focus. A question or two are begged – does contemporary sculpture really need such specially promoted understanding and enjoyment: such focused siting? But it all boils down to Good Works, and good luck to them.

It looks very new, the paths still rather bright and unweathered, the turf new-laid, the tracks and rides still a little stark. Nature will recruit herself soon enough and, in a second season, all will seem long established. But, in the copse's wilder parts, are not some of the set sites for sculpture now just a little too well-cleared and fixed? We hear of these grounds having been specially landscaped to the purpose, yet it is always hard to get these things right first time. Just as in moving into a new house, might it not have been wiser to leave the pattern of use to declare itself by degrees over a year or two, as different shows and new works reveal fresh aspects of the woods themselves?



Art in the country: Nigel Hall's 'Soglio' (1994) made from corten steel in the grounds of Hat Hill House at Goodwood Image Bank

Certainly, for the moment, the better sitings are either those in the older, more open and formal parts of the garden – such as Nigel Hall's "Soglio" – a huge wedge and circle of rusted steel, or those more secret and discreet within the woods. In this latter respect, William Turnbull's totemic "Spade Venus", Peter Randall-Page's carved limestone lumps, Andy Goldsworthy's "Herd of Arches" that prances through the wood beside the path, and David Nash's tall and black "Charred Column", are all shown to particular advantage. It is a profound irritation, by the way, that while a map, and not the most accurate, is provided, the works themselves are neither numbered nor labelled, which can confuse and frustrate even the most experienced of visitors.

We are promised, in coming seasons, a programme of temporary exhibitions and a changing display of particular works, as loans are replaced and sales made. This first show consists of some 40 works by some 30 sculptors. There is no theme to it, nor is it a survey in any real sense: rather it is simply a slice cut from the larger cake, and none the worse for that. It offers work across the full range of current activity, from the figurative to the abstract, from carving and modelling to construction and assemblage, from the symbolic and totemic to the minimal and the conceptual. Stephen Cox, Phillip King, Paul Neagu, Ian Hamilton Finlay, Grenville Davey, Anthony Caro, Michael Sandle, Bill Woodrow and Tony Cragg are among the established sculptors represented. Less familiar artists, too, are given their chance, while many distinguished names are conspicuously absent.

So be it, for the roll-call for once is not the point. The immediate purpose of "Sculpture at Goodwood" is to demonstrate an opportunity and propose possibilities for the future. Mr and Mrs Cass are certainly to be congratulated on their initiative, and their Hat Hill Sculpture Foundation offered a real if cautious welcome.

■ Sculpture at Goodwood – Hat Hill Sculpture Foundation, Goodwood, West Sussex PO18 0QP: open by appointment until November 6 – Fax 0243-531853: sponsored by the Image Bank.

Lucerne loosens its collar

The Lucerne Festival has begun to shed some of its inhibitions. Switzerland's premier music festival – famed for its well-heeled audiences, its conservatism and predictability – is branching out into activities which are less exclusive, more experimental.

The popular hit this summer has been a late-evening open-air spectacle, in which audiences were taken round a theme-park of dance, mime and lighting shows. There have been concerts of Swiss folk music and avant-garde jazz, plus a modified version of the street music competition introduced two years ago. The line-up also includes an improvisation concert, designed to turn traditional concert ritual on its head, and an event in which the renowned Swiss clown Dimitri assumes the role of conductor.

For many Swiss, all this has come as a pleasant shock. The festival has long been identified with imported culture – a parade of top-class orchestras, conductors and soloists from anywhere but Switzerland. Its traditional public is rich and stuffy – the kind of people who wear evening dress for a concert and pay SFr180 (£90) for a ticket. Locals have complained that they feel excluded, that the festival has little relevance to Lucerne and its people.

That has begun to change. True, this year's programme is as strong as ever on expensive international stars, headed by Maurizio Pollini and Anne-Sophie Mutter, the Berlin Philharmonic with Abbado and the Vienna Philharmonic with Muti. Now there is a counter-balance – a series of unconventional events which have captured the popular imagination.

The change has been engineered by Matthias Bamert, the Swiss conductor who became festival director three years ago. Lucerne and Bamert looked an odd couple. Bamert, 52, has spent most of his career outside Switzerland, learning his craft under Stokowski and Szell in America, before emerging as a leading interpreter of contemporary music in Europe. Since 1987 he has lived in London, working regularly with British orchestras and winning plaudits for his performances of British and French music. With his taste for the off-beat and the new, he was the antithesis of what Lucerne stood for.

But the two seem to get on well. Bamert began by pledging to maintain the quality of the symphony concerts which underpin the festival's reputation. This allayed any fears harboured by the Friends Organisation – a group of 300 wealthy individuals who pay an annual subscription of up to SFr8,000 for priority booking. He has also proved a dab hand at fund-raising. Although absent for most of the year, leading the peripatetic life of a conductor, Bamert has increased sponsorship by five times. Privately-generated income now accounts for 35 per cent of the festival's SFr8m budget. Public subsidy is only 5 per cent. The rest comes from box-office.

Bamert argues that as long as the festival remains financially stable, he is free to experiment. His aim, he says, is to make the festival less predictable, and to give it a more local flavour. "Predictability kills curiosity. I don't want people to have a fixed idea of what the Lucerne Festival is like. I want them to be constantly surprised."

He is adamant that his festival should not be interchangeable with others. "The way to make it distinctive is to reflect the colour and flavour of Lucerne. That's why I want local people to be involved. A third of this summer's performances are geared to the people of Lucerne, rather than the international festival public. Only when everyone here feels 'festival fever' will we have the vibrant festival I dream of."

Bamert inherited a smooth-running organisation which catered well for a particular public. Sceptics say there was no need to change a successful formula, that Bamert's innovations are gimmicks which have no place at an international festival. Change has involved risks. His theme-park spectacle this summer generated publicity and goodwill – but if it had been rained off, the event would have been a financial and artistic wash-out. He has placed a huge amount of faith in local "alternative" artistes.

Another gamble was to hand the opening concerts to a new festival orchestra, made up of former members of the European Community and Gustav Mahler Youth Orchestras. That paid off, thanks to the skill and enthusiasm of the players, and the experience of conductors such as Kurt Sanderling and Gennady Rozhdestvensky.

Anne-Sophie Mutter

Bamert's challenge is to weld together the old and the new. His programme theme this year – "Forms of Interpretation" – was broad enough to embrace just about everything. Finding equally versatile themes for next year and beyond will test Bamert's lively imagination to the full.

The festival runs until Saturday. Box office: tel (41) 233080 fax (41) 239464.

Andrew Clark

Wigmore Hall season / **Richard Fairman**

The chamber opens

Presumably the audience for chamber music just goes on holiday in the summer. While the Wigmore Hall is closed, no other venue in London tries to fill the gap and the opening of the new season on the first weekend of September is greeted with pent-up enthusiasm.

Advance bookings are said to be healthy this year. A series of concerts marking the tercentenary of Purcell's death (not strictly due until 1995) is already heavily sold, suggesting that the Wigmore Hall might profit from scheduling more early music. On its traditional territory of song recitals it has again put together an impressive line-up of singers for its International Festival of Song, which starts the season.

No favouritism was shown at the opening night. Four singers had been invited to share the platform on Saturday, which is a clever way of making sure that fewer important people feel slighted. Barbara Bonney, Anne Sofie von Otter, Kurt Streit and Olaf Bär together for a light-hearted programme of vocal quartets by Brahms and Schumann, including – inevitably – both sets of Brahms's evergreen *Liebeslieder-Walzer*.

The singers came down from the Edinburgh Festival, where they had performed the same programme as a late-night recital, which was recorded live by EMI. Why the record company should choose the Usher Hall for its recording is a mystery. The Wigmore offers a far more appropriate ambience for intimate music like these drawing-room quartets and there was nothing but delight to be had from hearing them there, sung by four such high-quality voices.

The quartet was perfectly balanced and admirably accompanied by Helmut Deutsch and Bengt Forsberg. Bonney's tender cradling of the soprano solos was particularly lovely.

It was a shame that the warm glow they left was so quickly doused with cold water the following night. Christiane Oelze and Hans Peter Blochwitz performed a substantial selection of songs from Wolf's *Spanisches Liederbuch* and promptly disproved a theory gaining credence of late, namely that a good voice and a native command of German are sufficient to guarantee a Lieder singer who is worth hearing. Oelze and Blochwitz both have fine voices and both are German, but their Wolf was as bland as could be.

Barely any song managed to pin down its central emotion with real decisiveness, though when Oelze did start to lead the way and get a grip on the more extrovert songs, the pianist Eric Schneider usually followed in sympathy.

In this set of songs Wolf shows a remarkably sharp ability to probe pain and anguish, of which these two singers seemed blissfully unaware. After 90 minutes of nice singing one came away feeling thoroughly anaesthetised.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in works by Purcell, Mozart and Sibelius, with piano soloist Emanuel Ax. Tomorrow, Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Berg, Schoenberg and Mahler. Sat afternoon: Mariss Jansons conducts Rotterdam Philharmonic Orchestra in Prokofiev and Bruckner, with piano soloist Mikhail Rudy. Sat evening: Gilbert Kaplan conducts Mahler's Second Symphony. Sun morning: Jan-Willem de Vriend conducts Combattimento Consort in Bach, Telemann and Muffat, with contralto Bernarda Fink. Sun evening: Ton Koopman conducts Amsterdam Baroque Orchestra in a Haydn programme (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight, Sat (continues till Sep 30): Hartmut Haenchen conducts David Pountney's production of Lady Macbeth of Mtsensk, with Eva-Maria Bundschuh and Willard White. Tomorrow, Thurs, Fri, Sun afternoon (continues till Sep 21): Dutch National Ballet in choreographies by Balanchine, Fernandez and Van Dantzig (020-625 5455)

■ BRUSSELS

Monnaie Tomorrow: Antonio Pappano conducts final performance of Karl-Ernst and Ursel Herrmann's production of La traviata, with Elzbieta Szmytka, Laurence Dale and Victor Ledbetter. Next production: Tristan und Isolde, opening Oct 1 (02-218 1211)
Palais des Beaux Arts Sun: Carlo Rizzi conducts Orchestra of the Monnaie in symphonies by Schubert and Mahler (02-507 8200)

■ CHICAGO

MUSIC
Chicago's Lyric Opera and the Chicago Symphony Orchestra begin their 1994-5 seasons on the same evening - Sep 17. The opening opera production is Boris Godunov starring Samuel Ramey. The Lyric's season also includes Graham Vick's new production of The Rake's Progress, Fedora with Freni and Domingo, Il barbiere di Siviglia with Thomas Hampson, John Cox's staging of Capriccio, Bernstein's Candide, Aida and Siegfried (312-332 2244). Daniel Barenboim conducts the first three weeks of Chicago Symphony concerts at Orchestra Hall, opening with a choral programme of Bruckner and Beethoven (Sep 17, 20, 27). Itzhak Perlman is violin soloist on Sep 22, 23 and 24, and gives a recital with Barenboim on Sep 26 (312-435 6666)
THEATRE
Angels in America: this autumn sees new productions of Tony Kushner's two-part epic in several American cities. The national touring version, directed by Michael Mayer and featuring Jonathan Hadary as Roy Cohn, opens at Chicago's Royal George Theatre tonight (312-988 9000)

■ GENEVA

Hugues Gall's final season at the Grand Théâtre opens next Mon with a new production of Idomeneo, conducted by Armin Jordan and staged by Christopher Alden, with a cast headed by Johan Botha, Paul Groves and Solveig Kringelborn. Repeated Sep 15, 17, 20, 23, 26, 28 (022-311 2311)

■ THE HAGUE

Dr Anton Philipszaal Gilbert Kaplan conducts the Hague Philharmonic Orchestra and Chorus on Fri in Mahler's Second Symphony (070-360 9810)

■ LINZ

The annual Bruckner festival in this Austrian town opens on Sun with a performance of Bruckner's Seventh Symphony by the Vienna Philharmonic under Riccardo Muti. Giuseppe Sinopoli conducts the Philharmonia Orchestra in two concerts (Sep 16 and 17), and the Orchestre de Paris will play Bruckner's Ninth under Semyon Bychkov (Sep 23). Marek Janowski will direct a concert performance of Wagner's Lohengrin, with a cast headed by Peter Seiffert and Eva Johansson (Sep 25). Other visitors include the Hagen Quartet, Christian Zacharias, Simon Estes and Mauricio Kagel. The final two concerts on Oct 1 and 2 are given by the London Philharmonic under Franz Welser-Möst (0732-775230)

■ LUCERNE

The Lucerne Festival ends this week with concerts by Klangforum Wien under Hans Zender, the Dresden Staatskapelle under Colin Davis and the Vienna Philharmonic Orchestra under Riccardo Muti. The final concert is on Sat (041-235272)

■ MONTREUX

Tonight's Tchaikovsky concert at the Auditorium Stravinski is given by the Moscow State Symphony Orchestra, with cello soloist Matt Haimovitz. Carlo Maria Giulini conducts the Orchestra of La Scala in Beethoven's Fourth and Fifth Symphonies on Thurs. The final concert of the Montreux Festival is on Sep 23, when Martha Argerich is soloist with the Lyon Opera Orchestra under Kent Nagano (021-963 5450)

■ ROTTERDAM

De Doelen Thurs, Fri, Sat afternoon: Mariss Jansons conducts Rotterdam Philharmonic Orchestra in Prokofiev's Second Piano Concerto (Mikhail Rudy) and Bruckner's Fourth Symphony. Next Mon: Valery Gergiev conducts Kirov Opera Orchestra in concert performance of Verdi's Otello, with cast headed by Alexei Steblianko and Galina Gorchakova (010-217 1717)

■ VIENNA

● The State Opera will remain closed for technical alterations till Dec 14, but Riccardo Muti will conduct a series of performances of Cosi fan tutte at Theater an der Wien starting Oct 29. The Volksoper, which opened last week for the new season, will host a State Opera Ballet production based on Lehar's Die lustige Witwe, first night Sep 19 (51444 2969/51444 2959/513 1513)
● Wolfgang Engel directs a new production of Shakespeare's Titus Andronicus, opening at the Akademietheater on Sat. The Burgtheater's new season has opened with a revival of Chekhov's Three Sisters (51444 2969/51444 2959/513 1513)
● The Orchestre de Paris opens the main season of orchestral concerts at the Musikverein on Sep 24 and 25 (505 8190)

■ WASHINGTON

MUSIC
● B.B. King, Dr John and Muddy Waters Tribute Band head the bill in a blues festival on Thurs and Fri at Wolf Trap. Roger Daltrey sings music of The Who on Sun (703-255 1860)
● Leonard Slatkin, music director-designate of the National Symphony, opens the orchestra's new season at Kennedy Center Concert Hall on Thurs, Fri and Sat with a programme including Beethoven's First Piano Concerto (Helen Huang) and Copland's Third Symphony (202-467 4600)
THEATRE
● The Rise and Fall of Little Voice: Jim Cartwright's play about a young girl who mimics the voices of pop female vocalists. Opens tomorrow at Studio Theater (202-332 3300)
● A Perfect Ganesh: Terrence McNally's play about two New England matrons on a personal quest as they journey through India. Opens at the Kreeger on Fri (202-488 3300)
● Flyin' West: this play about courage and frontier justice in late 19th century America is produced by New Jersey's acclaimed Crossroads Theatre. Opens on Sat at Eisenhower Theater (202-467 4600)
● Miss Saigon: the musical love story set against the background of the Vietnam war. Daily except Mon at Kennedy Center Opera House (202-467 4600)

■ ZURICH

Opernhaus Tomorrow, Sat: Franz Welser-Möst conducts Erwin Piplits' production of Rusalka, with Gabriela Benackova. Thurs, Sun: Tosca with Mara Zampieri and Neil Shicoff. Next Mon: Carlo Bergonzi song recital. Sep 17: first night of new production of La Cenerentola, starring Cecilia Bartoli (01-262 0909)
Tonhalle Tomorrow, Fri: Vladimir Fedosseyev conducts Tonhalle Orchestra in works by Glinka, Tchaikovsky and Shostakovich (01-261 1600)

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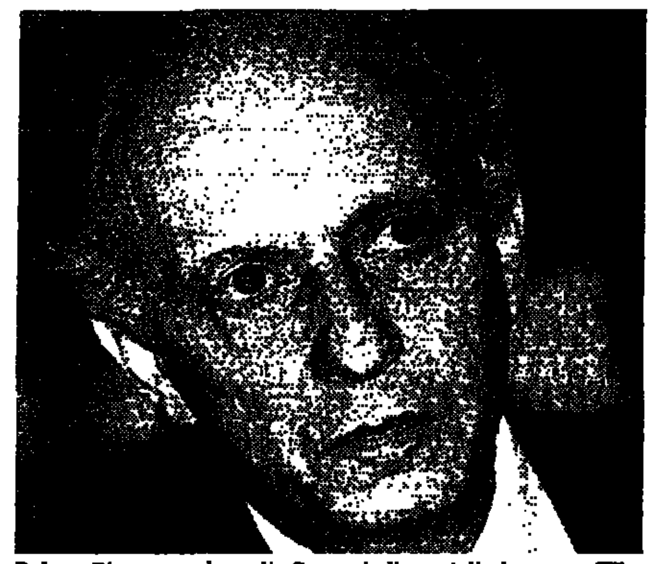
Costly slip of the tongue

Angus Foster on the resignation of Brazil's finance minister

Mr Fernando Henrique Cardoso, Brazil's former finance minister who left the government in April to contest next month's presidential elections, was hoping a quiet September would help consolidate his lead in opinion polls. He must be disappointed.

On Sunday his successor at the finance ministry, Mr Rubens Ricupero, resigned after making embarrassing comments in an interview which was transmitted by mistake on satellite TV. During the interview Mr Ricupero suggested he, and the government, were using Brazil's latest anti-inflation plan and its main component, a new currency, the Real, to help Mr Cardoso win votes.

Many observers long suspected the plan had electoral as well as economic objectives. But Mr Ricupero's admission of support for Mr Cardoso – which is illegal under Brazilian laws restricting the state's role in elections – has ignited the election campaign. Though attempts by Mr Cardoso's main opponents to have him disqualified are unlikely to succeed, their threat of a legal challenge has put his campaign on the defensive for the first time.


Rubens Ricupero, who quit after an indiscreet disclosure on TV

Until now, Mr Cardoso has had a strong opinion poll lead over Mr Luiz Inácio Lula da Silva of the leftwing Workers Party (PT). A survey by polling agency Datafolha, last week gave Mr Cardoso 45 per cent and Mr da Silva 23 per cent. Mr Cardoso's advisers are still confident of victory. Mr Antonio Carlos Magalhães, one of his main backers, insisted on Brazilian radio: "This won't upset the campaign. People want stability and that is what they have with the Real plan." But Mr Ricupero's resignation has raised questions about the future effectiveness of the Real. Not only has his departure created uncertainty at an early stage of the new currency, but the political motives behind its introduction have been exposed. In turn, that has led to questions about whether the chances of Mr Cardoso's opponents have improved.

Mr Cardoso and Mr Ricupero have been the two men most closely associated with the Real. The currency is part of an economic package which has been praised by economists for its emphasis on spending restraint and a balanced budget, rather than political objectives. Since the new currency was introduced on July 1, the monthly inflation rate has fallen from 50 per cent to about 5 per cent.

The Real's success so far has led to a rush of support for Mr Cardoso, who was polling only 20 per cent before the currency's launch. For Brazilians, the fall in inflation has made a big difference to life styles. When monthly inflation was high, people spent their salaries immediately rather than see their purchasing power fall daily. Once inflation dropped, they could plan purchases, consume more or start to save. Mr Luiz Pedone, a political scientist at the University of Brasilia, says: "Among the poor, many families have not had the chance to eat this well since 1986."

But the good news that has flowed since the Real's introduction came to a halt last week when the inflation figures for August did not show as steep as fall as expected. Mainly for technical reasons connected with rent increases, the rate of price increases in the four weeks to August was 5.46 per cent.

The figures prompted powerful unions such as the São Paulo metal workers to call for immediate pay rises to make up for the impact of inflation on real wages since the Real's launch. This is a threat for the government, since pay rises could feed into higher prices.

The job of countering that threat falls to Mr Ciro Gomes, the governor of the northern state of Ceará who succeeded Mr Ricupero as finance minister. He is respected for his successful – and honest – governorship of Ceara. Mr Gomes rushed to stress no policies would be changed.

But the switch of minister will lead to uncertainty. More damaging will be Mr Ricupero's admission that he did not "have any scruples" deciding when or whether inflation indices were released according to his own advantage. In his interview, Mr Ricupero also suggested some indices may have been doctored by opponents of the government that work in the department which gathers the figures.

Inflation figures are important in Brazil because until July they were used regularly – usually each month – to adjust salaries, taxes and prices to keep pace with inflation. The government hopes that under the Real, such adjustments will be made only once a year – and has so far been largely successful. The danger of Mr Ricupero's comments is that if they undermine the credibility of the inflation indices, the private sector will reintroduce regular adjustments, and Brazil's inflationary cycle could start again.

The prospect of a rise in inflation would be damaging to Mr Cardoso, given his close association with the Real. But the chances of a big pick up in inflation before the October 3 contest is slim and many Brazilians, including most of the 33m illiterate and semi-literate voters, may ignore the weekend's incident. They may back Mr Cardoso because of the Real's success so far, rather than its prospects.

But Mr Ricupero's admission of the government's support for Mr Cardoso have been seized on by Mr da Silva and his Workers' Party. Alleging a wider conspiracy between the government, business and media to elect Mr Cardoso, they have questioned the "ethics" of Mr Cardoso's campaign. This is a promising theme for the opposition party because most Brazilians agree former president Fernando Collor, who resigned amid corruption allegations in 1992, won the 1989 election against Mr da Silva thanks to business and media backing. If the opposition can persuade voters that Mr Cardoso is being backed by the same alliance of interests, Mr da Silva's campaign would be transformed.

The Workers' Party leader only needs to persuade some of Mr Cardoso's voters to switch camp at this stage. Under Brazil's election rules, a candidate can win outright in the first round only if he or she attracts more votes than all their competitors combined. If not there will be a run-off between the two leading candidates on November 15. According to last week's Datafolha poll, Mr Cardoso has only a 6 per cent lead over his combined opposition, scarcely a comfortable margin.

The events of the weekend may, therefore, force Mr Cardoso into fighting a second contest. Though opinion polls taken last week suggest he would still be the clear favourite to win, time might start to play against him. If the government is unsuccessful in holding off wage claims and price increases in the next few weeks, inflation may even start to rise and undermine voters' confidence in Mr Cardoso.

Mr Cardoso spent yesterday calming his campaign workers and assuring them his lead in the polls was safe. Even he would agree, however, that thanks to Mr Ricupero, September will now be a nervous rather than tranquil month.

Joe Rogaly

No star to steer by

Heigh-ho, here we go. Summer fun is over for us all, not least President Bill Clinton. Look at him with kind eyes. It is a sorry sight. His work is nowhere near done, but he can hardly be enjoying it these days. Something is going wrong. It is too soon to declare his presidency a failure, but it does not seem, from the eastern side of the Atlantic, to be on the road to glittering success.

According to the most recent Time/CNN canvass of public opinion, only 40 per cent of respondents approve of the way Mr Clinton is handling his job. This, we read, is the lowest such score in the past 40 years for any president at the same stage of the game. Many of his policies receive respectable indications of assent from the electorate at large, but the esteem attached to his name is demonstrably low. Democratic candidates in the congressional elections for which campaigning officially began yesterday have been advised not to associate themselves with their national leader.

Some of Mr Clinton's misfortune is explicable by factors particular to himself. The Whitewater investigation, an endless prying into the details of land investments made long before he publicly aspired to the presidency, is one such. The outcome may be inconclusive, or it may wholly exonerate Mr and Mrs Clinton, but that is beside the point. The president is weakened by the process. He has been further debilitated by the descent, almost to British levels, of public speculation about his past private life.

A second cause of the president's difficulties is beyond his ability to redress. The weakness of party discipline in the US legislature has long been a matter of wonder to European parliamentarians. Democrats and Republicans, whether senators or congressmen, owe their primary allegiance to their local districts and their own careers; support for a president of the same party comes after that. A popular president, espousing popular policies, can overcome congressional obstruction, but Mr Clinton did not win the necessarily overwhelming popular mandate, and consequently does not command sufficient clout. He has achieved a crime bill, sort of, but his star policy, a comprehensive health insurance scheme, looks bogged down. Welfare reform, promised during the campaign, awaits progress on health.

Bill Clinton told people what they wanted to hear, smiled a lot, and won. Tony Blair plainly intends to do much the same

These storms might have been better weathered if the president had convinced the American people that he had an idea of where he was taking them. Perhaps he did when he started, but the evidence suggests otherwise. His foreign policy is inchoate, his domestic policy lamed, his strength of purpose uncertain. His long hesitation on the brink of an invasion of Haiti is one indication of his inherent wobbliness; his tailoring of his Cuban policy to the niceties of Florida politics another.

Mr Clinton has had important successes: the North American Free Trade Agreement, the Partnership for Peace strategy to enlarge Nato, the completion (although not yet the congressional ratification) of the Uruguay round of trade talks. None of them has been set in the context of a global strategy. That is the trouble. By all accounts the president is a highly intelligent man, a quick master of a brief, consultative, fascinated by debate and policy detail. He is, however, possessed by the need to win political points with every move he makes; he cannot, or will not, take the risks leadership requires.

There is a double-edged lesson here for centre-left challengers everywhere. As to campaigning, follow the president; as to running the country, don't. Mr Tony Blair, the new leader of Britain's Labour party, has closely studied Mr Clinton's 1992 campaign. The then governor of Arkansas spent several years establishing himself as first among the "new" Democrats. He worked at bringing the party back from the hopeless left towards the political centre. After the long Reagan-Bush years, he campaigned on strong themes calculated to allay middle-class fears. He told people what they wanted to hear, smiled a lot, was blessed by the intervention of Mr Ross Perot, and won.

Mr Blair plainly intends to do much the same. It is a proven election-winning formula, which could, in spite of everything, deliver a second term to Mr Clinton in 1996, not to mention a Labour victory in the same year. It has done marvellously well for Mr Blair this summer: he appears to be as popular as ice-cream. If he does not melt, he could become the first Labour prime minister in nearly two decades.

The US formula does not, however, deliver anything of true value once the votes are counted. I suspect – hope – Mr Blair is aware of this. It is not worth winning an election if you do not have a clear purpose in doing so. Labour thinking is naturally shaped by long contemplation of the causes of the party's dismal record of electoral failure since 1979. The pitfalls to avoid are often rehearsed. One, frequently referred to by the late Mr John Smith and his then deputy leader, Mrs Margaret Beckett, was the production of detailed policies. You must never do that, they said. The Conservatives would cost them, distort the results, and throw the figures back in Labour's face.

We will see how much of this obsession with past defeats governs the thinking of Mr Blair when he speaks at Labour's annual conference next month. His fixation must necessarily be with electoral victory, but he is sophisticated enough to know that office is not all. For confirmation, he has only to consider the case of Mr John Major. In spite of his shortcomings, the prime minister has consistently steered by the light of low inflation. He has also shown determination, and courage, in seeking peace in Northern Ireland. If the latter be sealed, the two achievements will be recognised by historians, if not necessarily rewarded by the voters.

The big conundrum remains unresolved. In what direction will Labour steer if it wins? Never mind the details. Let us have just sufficient to assure us that Britain's refreshed party of the centre-left is not to follow the Clinton Democrats down the path to disappointment. Would Labour lapse into a strategy of allowing a little bit more inflation, in the hope of faster growth and more jobs? Would it seek to redistribute *some* income or wealth? What would be its principal lodestar? If we are not to know, can we be sure that the putative next prime minister does?

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Intriguing model for future of UK unions

From Mr Peter Gorry.

Sir, As a practitioner in industrial relations for a global company, I am familiar with Robert Taylor's reporting, scholarly work – eg, "The Trade Union Question in British Politics" – as well as his latest publication, "The Future of Trade Unions", reviewed by Howard Davies, director general of the Confederation of British Industry ("Bedrock trade unionism lives on", September 1).

It seems to me that Mr Davies's industry bias skews his observations in representing the author's position regarding the attitude of employers. A specific quote in the review is "He [Taylor] contrasts British employers' 'commitment to deregulated labour markets' with the attitude 'of their European mainland counterparts who have a sense of social and ethical responsibility for the well-being of their employees'". Mr Davies finds this generalisation "absurd and offensive".

In context, the full quote is "British employers' commitment to the deregulated labour markets looks much firmer than that of their European mainland counterparts who have a sense of social and ethical responsibility for the well-being of their employees". Certainly not an absurd observation, and offensive to whom? In reality, transnational enterprises manage work forces according to statutes of the member states in which they operate, and the "sense of responsibility" of businesses, as evidenced in northern Europe, may be the result imposed by law rather than a higher social consciousness.

In Robert Taylor's concluding chapter, notwithstanding his advocacy of the union movement, he is pragmatic in writing a prescription for the future. "The trade unions in this country have reached an important crossroads in their history. They need to come off the back foot and take the initiative", and he acknowledges that unions must add value "to the success of the enterprise in meeting the remorseless challenges posed to it by global competition in the open market". Pressures to increase shareholder value, cyclical economic downturns, and the realities of alternative sources of lower unit labour costs, combine to have an impact even on enterprises with the most enlightened human resource programmes. Unions could well provide a buffer between unilateral actions by the employer and employees' collective best interests.

Although I do not completely agree with all of Taylor's analysis and conclusions (for example, the role of unions in providing certain services outside the workplace and great expectations from EU directives), I believe he provides an intriguing model for the future. Clearly, any institution would prefer to operate unencumbered by outside influence; better then for business to develop a constructive partnership with a union than rely upon intervention by the government or the courts in determining the employer's relationship with the work force.

Peter E Gorry,
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Omission

From Mr Ben Pimlott.

Sir, I have just seen Alan Clark's hilariously splenetic piece about my *Frustrate Their Knavish Tricks* (Books, August 27/28), in which I am presented as a kind of ageing and illiterate Dave Spart, whose extreme leftwing views belong in the 1970s. The only puzzling thing is that the many quotes-out-of-context in Lord Clark's article do not include my sole reference to him. On the very first page of the book I describe the Tory ex-minister as a former MP "of indisputably blimpish proportions" who has "written a book review backing a suggestion that Winston Churchill ruined the country".

But then again, he was probably right. If he had mentioned it, some unsporting socialist bounder might have accused him of tit-for-tat reviewing.

Ben Pimlott,
9 Milner Place,
London N1 1TN

No alternative to slowing consumption

From Dr A R T Kemasang.

Sir, The recipe prescribed by Ambassador Clayton Yeutter (" 'Gatting' the greens", August 2), that nations "become richer" first by letting their middle class rip before worrying about environmental issues, is the stock-in-trade of those who want to have the cake and eat it. Not only is it erroneous, it also gives licence to the continuation of the ongoing environmental plunder. This line of thought assumes that it is only the middle class which cared about our environment. It makes no sense without blotting out the historical fact that it is precisely as a result of the "growth" of the (west's) middle class that we are now in this environmental mess. Surely, plugging for more of the same, encouraging non-OECD peoples to adopt a "destroy first, rebuild later" mentality, is, to put it mildly, irresponsible.

It is true that to tell non-OECD peoples not to consume the remaining resources without substantially (note: I don't say "fundamentally") changing our pattern of consumption is like telling others not to eat the fruits left in the common garden while we are not prepared even to slow down the rate at which we gobble them up. It is just as hypocritical to talk of "growth" and "expansion" while professing concern about the environment.

If we are sincere, we have no alternative other than to do the complete opposite: slow down our consumption rate. Then, we reason with non-OECD peoples to preserve what is left of their resources.

A R T Kemasang,
50 Keswick Road,
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Wrong theory to make a good cup of tea

From Mr R Hall.

Sir, Charles Jennings is in error in believing that reduced atmospheric pressure increases the temperature at which water boils (Business Travel: "The anatomy of a Club Class flight", August 29). As every schoolboy knows, water boils at a temperature below 100°c when the ambient pressure is reduced, thus making it difficult to get a good infusion of tea or boil eggs.

Little wonder that employers are worried about the rise of scientific illiteracy.

R Hall,
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No real argument for local government change

From Councillor Rick Tilling.

Sir, I must respond to Councillor Mrs Duddy (Letters, August 30). The current review of local government has been built on unsubstantiated assertion. No evidence has been produced to demonstrate convincingly that unitary local government is, *per se*, better than two-tier. There are many examples of the unitary system not working.

Mrs Duddy says a unitary council in her area has the support of the business community. Yet a Macclesfield Chamber of Commerce survey shows 43 per cent of businesses want no change, compared with 33 per cent that want a unitary Macclesfield Council.

Nor do the people of Macclesfield want change. In a new survey by the Harris Research Centre 70 per cent of people in Macclesfield support "no change". Perhaps more significantly 77 per cent of Macclesfield residents consider that the present system of local government is successful, and only 13 per cent think that change is definitely needed. As for the Local Government Commission's two unitary options for Cheshire, no more than 6 or 7 per cent of Macclesfield people support either of them.

According to the commission, change in Cheshire would cost £23m to £29m; it could cost £2m more to run, and savings, "if any", might be £4m. These costings are highly speculative, as we know, and there is every chance the costs of change will never be recovered. In the Harris survey 80 per cent of people are not prepared to pay more either for their local government services or to change to the system.

Finally, she describes the two-tier system as an "anachronism". Why, then, do all European Union countries, except Luxembourg, have multi-tiered local government?

Rick Tilling,
deputy leader,
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Off target

From Mr J David Morgan.

Sir, Rejoicing over the early retirement of Ros Hepplewhite ("Child Support Agency chief quits post early", September 3) is misplaced – in fact and in law. By convention, ministers are responsible, not civil servants or ministerial appointees. This time they have conveniently passed the blame on.

It is the flaws in the original legislation – and the directions given by minister to the Child Support Agency – which has led to the problems and consequent mess. Ms Hepplewhite may have gone, but the problems remain.

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Tuesday September 6 1994

Neither foes nor allies

The Chinese foreign minister describes his country's warming relationship with Russia as "neither confrontation nor political alliance". His choice of negatives is a remarkably honest assessment of the agreements signed in Moscow at the weekend by Presidents Boris Yeltsin of Russia and Jiang Zemin of China.

The agreements themselves, with the largely symbolic declaration that neither side would target nuclear weapons at the other, are modest, designed to tidy up the frontiers and clear up potential impediments to pragmatic trade and co-operation. But they do mark another useful stage in the Sino-Russian detente which has developed over the last decade.

Good relations between Russia's far east and the bordering north-eastern provinces of China have become steadily more important in recent years as Moscow and Beijing have decentralised their economies. Deprived of the goods which used to be allocated by the central plan from distant European Russia, the under-populated regions bordering Russia's Pacific coast have welcomed the chance to buy cheap Chinese consumer goods in exchange for Siberian timber, furs and raw materials.

The trade and other economic co-operation agreements signed at the weekend reflect mutual recognition of the beneficial nature of these links. Putting their trading relationship on a more formal and secure basis makes obvious sense for both countries.

Mutual recrimination

For China, the concentration of economic growth on the coastal cities and the south has left its three north-eastern provinces eager for growing opportunities for trade across the Amur and Assuri rivers which form the often contested borders between the Asian part of Russia and China. This two-way trade, much of it on a private basis, rose sharply to over $7bn last year but has dropped significantly over the last few months. This follows mutual recrimination over shoddy goods, rising criminality and Russian security concerns over the presence of increasing numbers of Chinese traders.

The search for a *modus vivendi* between the great communist powers was given fresh impetus by Mr Mikhail Gorbachev. He, and after him Mr Yeltsin, ended the strategic confrontation with Nato and toned down the ideological and great power rivalry with China which for decades led to the stationing of over 600,000 Soviet troops along the 6,640km Sino-Soviet border.

Sino-Russian detente has allowed both countries to devote more of their resources to civilian purposes, although China has been far more successful to date in creating new wealth than Russia which has been bogged down by the immense difficulties of redirecting its militarised industries into more productive use.

Military hardware

Given the difficulties of military conversion it is not surprising that Moscow is looking harder at potential markets for military hardware. China, with a much less sophisticated military industry and busily modernising its armed forces, is a natural market for cheaper Russian arms whose sale will be facilitated by the latest agreement.

On the other hand, the agreements do not bother to disguise the continuing existence of long-term strategic rivalry between Russia, China and Japan in the region. Much of Russia's Asian territory was conquered from the decaying Chinese Empire in the 19th century. Many Russians fear that it is only a question of time before a revitalised China, with over 100m people in the three northern provinces alone, tries to win it back. To prevent this, Russia needs to realise the economic potential and increase the population of a vast region with only 7m inhabitants and vulnerable communications along the Trans-Siberian railway. Above all Russia needs foreign capital to develop its Siberian resources and is more likely to find it in Japan and the US than China.

The latest agreement with China is a useful diplomatic achievement. But Russia's long-term future as a prosperous part of the Pacific rim still depends upon coming to agreement with Japan over the future of the four disputed Kurile islands and creating the necessary legal and investment framework for US and other investors to share in the development of Siberian resources.

Time to end the rail dispute

The summer holiday period is ending without a settlement in Britain's long-running rail dispute. Signal staff will strike on Thursday, the 13th week of disruption on the rail network. No negotiations are under way over their pay claim and further strikes are planned for the next two weeks. There is little sign of a return to work by the overwhelming majority of signal staff who continue to support their union, the RMT.

Railtrack, the state-owned company that runs British Rail's track and signalling operations, continues to use supervisors, non-striking signalmen and other qualified rail staff to provide services on strike days. It may succeed in running more trains on Thursday than on previous strike days. But the scope for further improvements is limited without a break in the strikers' resolve. The stalemate looks set to continue.

Yet the strikes are in the interests of neither staff nor management. As in any industrial dispute, business will have been lost to the railways. Some passengers will continue to use the alternative forms of transport they have adopted on strike days. Some freight customers will conclude that railways can never be reliable where time is of the essence. RMT members will be among the losers as a result.

By contrast, those who wish to see less spent on the railways will have been heartened by the strikes. Commuters have been able to get to work on strike days with less frequent services and few trains in the evenings. Towns and villages served by marginal branch lines have suffered no visible loss from the absence of trains. The case for subsidising the current level of rail services has been weakened.

Privatisation challenge

The dispute will also make it much harder for the government to privatise British Rail in the immediate future. The train operating companies have lost millions of pounds by being unable to run services on strike days. Their vulnerability to disruption at Railtrack has been underlined to potential investors. And the more that train operators are indemnified against such costs, the less attractive Railtrack will be to the private sector. Opponents of privatisation such as the RMT will rejoice, but the government has been foolish to allow the dispute to drag on.

The strikes cannot be allowed to continue into the autumn. Railtrack must act now to bring the dispute to an end. If there is no agreement before the end of September, signalmen stand to lose valuable pension rights when British Rail's pension fund is divided up between the successor rail companies. They are therefore likely to be ready to end the dispute given sufficient cause.

Flexible practices

Railtrack has already lost more than £100m because of the strikes. A private business facing such losses would increase its pay offer by enough to get the strikers back to work. This would be followed by restructuring to recoup the cost, through improvements in efficiency. Individual contracts of employment would be introduced, after giving the requisite notice and consulting as necessary, to encourage more flexible practices.

Such an approach may no longer be an option, however. The government fears that a higher offer – even if self-financing – would be seen as a defeat for its public sector pay policy. Its intervention in the dispute almost certainly means that this is true: higher pay claims would follow elsewhere in the public sector where efficiency cannot be improved so easily.

That leaves the sort of strategy which a leaked letter last week indicated that Railtrack appears to be considering. This involves inviting individual signalmen to accept the offer on the table, sacking strikers and re-employing those who wish to return on individual contracts. Such an approach could cost Railtrack more than £16m in compensation for not giving adequate notice of the change of working conditions. This would be embarrassing, not least because it is three times the annual cost of settling the RMT pay claim. However, it is a price that Railtrack – and the government – may have to pay to end a strike that incompetence has allowed to drag on for 13 weeks longer than was necessary.

Experiences of recession have led to changes in corporate Germany's strategy, says **Christopher Parkes**

Setback, shaken and stirred

Recession's fleeting but brutal invasion of west Germany swept away corporate profits and jobs on a dramatic scale. The engineering industry alone last year lost DM7bn (£2.8bn) – DM3,500 for every employee. More than a third of the 3m jobs created in the mid- to late-1980s have disappeared since the onset of the slump in the final quarter of 1992.

Giants such as Daimler-Benz, the automotive and aerospace group, stumbled into their worst losses in postwar history. Dynastic family concerns such as the Kässbohrer group, which in exactly 100 years evolved from waggon-maker to bus-builder to break-up candidate, were dismembered. Towns such as Schweinfurt, home of the FAG Kugelfischer bearings group, tumbled from the peaks of prosperity to unemployment hot-spots as their mainstay industries crumpled.

In the nation at large, recession severely dented popular confidence in the notion that 50 years of economic success and rising living standards automatically guaranteed more of the same.

Yet, for all the corporate and personal distress, the outcome has not been entirely negative. Now recovery has taken hold it is clear that the shock of the precipitous crash from the 1991 peak of the post-unification spree has shaken industry and stirred it into action against underlying structural and competitive disadvantages. While recession created conditions which highlighted structural weaknesses, it also sparked a concurrent national debate which appears to have resulted in a broad consensus in favour of change.

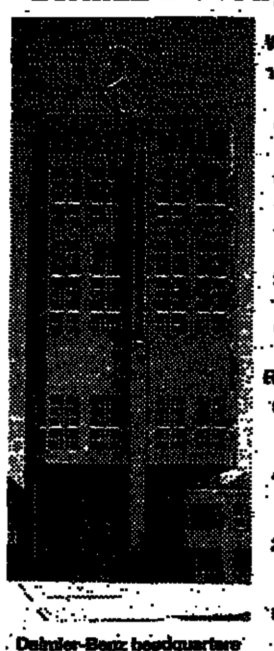
As Daimler chairman Mr Edzard Reuter admits, business found itself with an opportunity to take speedy, radical actions "which would not have been possible in the past".

The most compelling evidence so far for the existence of a consensus for change has been the relatively friction-free acceptance of massive job cuts, reductions in real wages and the loss of traditional employee benefits and privileges.

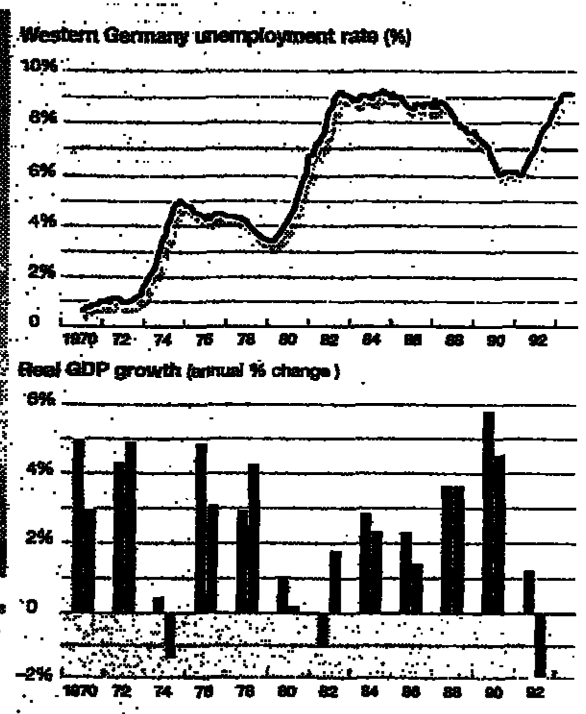
These trends have marked a frontal assault on the most obvious and most-discussed of Germany's competitive disadvantages: high labour costs. Employers and unions, starting in the chemicals industry, agreed new flexible work-time and pay structures which have started to improve unit labour costs and machinery running times.

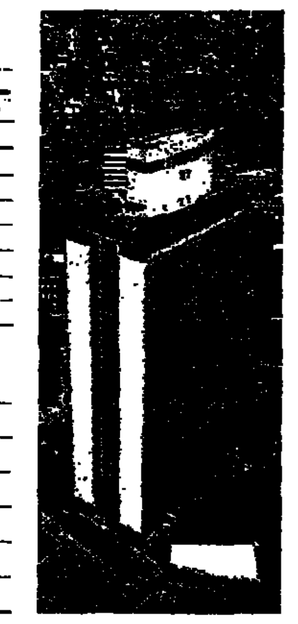
Although little post-recession data is yet ready, the scale of Germany's disadvantages compared with competitors can be judged by 1992 measures, which showed German factory plant was used for an average of 53 hours a week – the lowest in the European Union. Unit labour costs in the automotive industry were about 40 per cent higher than those in France, Japan and the US.

German industry: bruised by the bad times



Daimler-Benz headquarters Stuttgart: Germany's vehicle and aerospace giant





BASF headquarters Ludwigshafen: one of Germany's top three pharmaceuticals groups

While a clear impression of the impact of last year's new labour agreements will not emerge until 1995, promising indications emerged at the weekend from the VCI chemicals industry association, which said average productivity in the sector had risen by almost 11 per cent in the first half of this year.

Meanwhile, the job cuts are continuing, maintaining downward pressure on labour costs. Daimler, for example, said last week that a further 8,000 places are to go next year after 26,000 this year.

Employers continue to lay a large proportion of the blame for lost competitiveness at the door of aggressive trade unions, but confessions of past "mistakes" and "arrogance" by senior managers such as Mr Hilmar Kopper, chairman of Deutsche Bank, reflect an unusual readiness within the establishment to acknowledge that management, financial institutions and politicians have made an even more telling contribution to Germany's international disadvantages.

One such failing was the neglect of developing markets. Attempts are now under way to correct that fault, particularly in Asia, where potential demand for Germany's traditional industrial products is strongest. Against the global trend, industry has relied doggedly on exports out of its high-cost domestic factories, rather than establishing manufacturing bridgeheads abroad. At the same time, industry has focused most foreign investment and sales effort on virtually saturated markets in neighbouring European countries.

The automotive industry, the country's leading foreign exchange earner, for example, relies heavily on the west European car market which is expected to expand only 1 or 2 per cent a year for the foreseeable future. Meanwhile, Asia will generate 70 per cent of world market growth. Managers in broad sweeps of German industry who looked askance at Volkswagen's former chairman, Mr Carl Hahn, when he started investing in Chinese assembly plants in the mid-1980s, are now clamouring to follow as VW continues to build its market leadership in the People's Republic, with sales up 14 per cent in the first half of 1994.

While it was not the only factor at work, the 1993 recession will also be remembered as the catalyst which prompted Mercedes-Benz and BMW to break with conservative tradition and set about building their first car manufacturing plants in the US. Reacting to global health reforms, the big three chemical groups, Bayer, BASF and Hoechst took up positions in the fiercely contested international market for cheaper out-of-patent generic drugs.

Such relatively radical changes have helped dispel German industry's reputation for aversion to risk, complacency, tunnel vision and leaden-footedness. But these failings are not the sole preserve of management: they extend deep into the cultural and political structure. Over-regulation at federal, *Land* and local government level militates strongly against innovation. German planning procedures and system of approvals for new factories and products, particularly in new technologies, consume years of management time.

According to Mr Utz-Hellmuth Felcht, research director at Hoechst, the catalogue of 2,000 laws and regulations governing the chemicals industry sprawls over 16,000 sheets of paper. Bureaucracy has meant his attempts to open a plant manufacturing genetically-engineered insulin near Frankfurt are only now approaching success – eight years after the project started.

Raising public awareness of Germany's institutionalised bias against innovative industries will be a long haul. For now, restoring the health of the traditional industrial base remains in the forefront of management's concerns. In the past few months recession has turned to recovery, and the profits stream is flowing again. Last month the chemicals sector, traditionally the first into and the first out of slump, published a swathe of ebullient interim reports. BASF, for example, announced a 40 per cent earnings boost.

But welcome as the recovery is, its effect on company earnings is less vigorous than some in the corporate and political worlds would have the world believe. For example, BASF's earnings of DM680m on sales of DM22bn in the six months to the end of June pale beside profits of DM2.2bn on DM24bn turnover in the first half of 1989.

Moreover, though companies are clearly coming round, the apparent scale and speed of the upswing is exaggerated by latest financial results which do not include the huge provisions set aside last time for redundancy payments and restructuring charges. Interim figures and accompanying statements from company chairmen also betray the effects of ferocious international price competition in export markets which have contributed most of the momentum to the recovery so far.

There are no indications of any relaxation in competitive pressures, and although the most dramatic of industry's restructuring measures have been implemented or announced, the shake-out has some time to run before it can be considered complete. The short 1993 recession marked only the starting phase of repairs to structural flaws which took 50 years to develop.

Louise Kehoe on the latest generation of video games, launched in the UK this month

Video games turn nasty

"The best part is when you run over the granny with a walker," says Erick Arnold, 14, eyes fixed on the TV screen, hands grasping the controller as he races recklessly through city streets on a motorcycle in *Road Rash*, a hit video game for the "multiplayer system" made by US company 3DO that is being launched in the UK this month.

Parents, and especially grandmothers, may not appreciate the humour, but 3DO technology is a winner among "selfish, single males", as one software developer describes the target market. The latest generation of TV video games has sharper graphics, higher-speed moving video sequences and better CD sound quality than other game machines.

There seem to be plenty of them around. World video game sales are expected to top $9bn this year, with Nintendo and Sega, both of Japan, the "mighty forces" in this world of *Street Fighters*, *Fatal Fury* and *Killer Instinct*.

3DO charged on to the scene a year ago, like the bold champion in one of its fighting games, vowing to banish the evil monsters that fragment the market with different technical specifications and create a unifying global standard for interactive multimedia. The company licenses 3DO technology to hardware and software companies, which pay royalties to 3DO from sales of their products.

Among 3DO's backers are Matsushita, the Japanese consumer electronics manufacturer; AT&T, the US communications company; Time Warner, the publishing giant; and MCA, the entertainment group.

For a time, it seemed that 3DO was outgunned. Initial sales of the first 3DO licensed product, Matsushita's Panasonic Multiplayer game machine, were disappointing in the US. Heavily promoted software titles, such as a video game based on the film *Jurassic Park*, arrived late and did not live up to the hype that preceded them.

Over recent months, however, 3DO has been gaining momentum. "We just had our best month ever," says Mr Trip Hawkins, founder and chief executive of 3DO. Sales of the Panasonic game machine have reached a total of 200,000 – boosted by strong sales in Japan – enough to attract the interest of some of the best game software developers. Consumer electronics groups Sanyo of Japan and Goldstar of Korea have announced plans to launch their versions of 3DO technology this autumn and Creative Technologies, the leading supplier of sound cards for personal computers, has introduced an add-on circuit board for personal computers that enables them to play 3DO games.

Now comes the UK launch. "The big competitors are not as entrenched here," says Mr Bob Faber, 3DO senior vice-president of marketing and managing director of the new UK operation.

He also sees an opportunity to build a broader market in the UK. Whereas most American and Japanese players – or "gamers" – are in their teens, the UK has a strong "adult gamers" market, he says, and even a growing band of "second-generation 'gamers' whose fathers grew up playing Atari games in the early 1980s".

There is no doubt where the primary – and primal – interests of video game developers lie. "Your mission is to protect five teenage girls ...," says the commander of *Night Trap*, a 3DO interactive movie. "If you don't have the brains or the guts for this assignment, give the controls to somebody else."

"An ancient clan with the power to transform into fearful monsters stands poised to destroy itself for a goddess who will grant their every wish ...," reads the introduction to *Breath of Fire*.

For now, 3DO has a technology edge over rivals, according to game aficionados. "The graphics and sound effects are much better," says Erick, a veteran player of Nintendo, Sega Genesis and personal computer games, "and the play action is faster than on the computer."

But he says the 3DO player is too expensive, at about $500 in the US and a list price of £399 in the UK. "It would take forever to save up for from a paper round [newspaper delivery round]." Sega's planned introduction in the US this November of *Genesis 32X*, a $150 add-on component for its Sega Genesis video game machines may close the performance gap at a lower price. In the interests of research, however, Erick and several of his friends did not object to spending many hours this summer glued to the TV screen assessing the merits of 3DO games such as *Road Rash*, in which motorbike riders kick and punch each other, mow down pedestrians and plough into oncoming cars.

Crash & Burn, a car race that would drive the authors of the Highway Code crazy, and *Shock Wave*, in which players must save the country from alien conquerors, also proved very popular. The latter is "good fun, great sound effects and graphics", says Erick.

3DO's goal of establishing a global standard for interactive multimedia, including interactive TV, personal computers, video production as well as video games may be similarly difficult to conquer. The fledgling company will face bigger competitors at every turn.

Whether 3DO can move beyond video games will depend largely upon its ability to attract "gamers" in the next year. That may be challenge enough for a young player in a big market.

OBSERVER

A diplomat's diplomat

■ After months of coyness on the part of Anatoly Adamishin, it is official. Russia's first deputy foreign minister is bound for London as the next ambassador to the Court of St James, succeeding Boris Pankin who was first told he would have to vacate the ambassadorial mansion almost a year ago.

A 37-year veteran of the foreign ministry, Adamishin has garnered much of his considerable experience on the west European desk. He spent two long spells in Rome, and professes his Italian to be better than his "poor" (but in reality fluent) English.

Highly respected within the diplomatic community, the new man also knows his way around the newly-independent Soviet states. He was recently heard lamenting the West's tendency to label as "neo-imperialism" any Russian attempts to promote stability round its borders. No doubt it is a point he will hope to hammer home in his new posting.

Meanwhile, Pankin may feel a trifle aggrieved. As ambassador to Prague, he, alone among the Soviet ambassadors, stood up publicly against the attempted coup in August 1991. The post of foreign minister, given to him as reward for his valour was soon lost, and the Anglophile's tenure in London has been shorter than he would have wished. Perhaps the former journalist fancies turning his hand to an informed account of the end of the Soviet foreign ministry and the creation of its Russian counterpart.

Rate of return

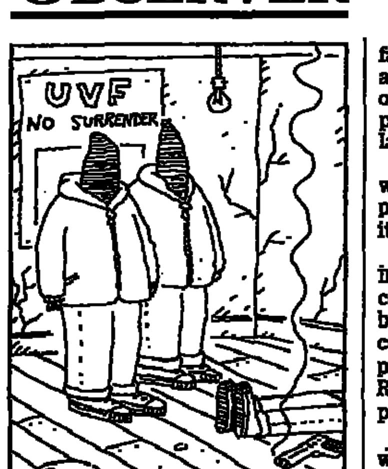
■ When Dugald Eadie stepped down as chairman of investment performance consultancy WM Company in May, he professes to have been taken aback by the flood of calls he received from fund managers eager to engage his services.

After years of scrutinising all that performance data, he was certainly in an unusually good position to pick his new stable. So what precisely made him take the call from Colin Day who chairs Henderson Pension Fund Management?

Henderson is something of a fallen star in the industry, but Eadie says he took to the idea of running HPFM for the highly non-technical reason that he finds them such a congenial bunch of people. The man who started off as a computer manager in stock broker Wood Mackenzie's back office adds that he hopes he has identified what he terms "a recovery situation".

Yesterday the gamekeeper turned poacher was faxing WM's 40 top clients apologising for his re-emergence as one of their competitors.

"There is a lot of secrecy surrounding performance in the industry" he told Observer. "I may be able to help". You bet...



'He was so upset by the ceasefire that he shot himself'

Strike out

■ The Clinton administration has carefully avoided getting sucked into the rancorous negotiations over the three week old strike that has shut down big league baseball in the US. But one administration official is really fretting: William B. Gould IV, chairman of the National Labor Relations Board.

A certified Boston Red Sox fanatic, Gould has contributed almost as many paeans to the Sox on the sports pages as he has penned scholarly articles on labour law.

Indeed, given his background he would would seem to be just the person to sort out the strike before it spills over into the 1995 season.

However, the NLRB can only get involved in unfair labour practice complaints and in unionisation ballots. Still, Gould can take some comfort from the fact that when play stopped last month his beloved Red Sox attained second to bottom place in their division.

Perhaps Gould would do well to write the season off.

A banker explains

■ A couple of weeks ago Observer got a call for help from financial advisers Pointon York. It wanted an English translation of a letter from the Bank of Scotland giving notice that it had "retrocessed, reponed and restored..."

There has been no shortage of suggestions from readers. Andrew Martell of Wise Speke suggested that what the bank was trying to say was, "here's what we nicked from you".

C. E. Fuller of ERF (Holdings) claimed the letter means that the bank had found a way of charging you for something they did in the past, which you did not know you had to pay for, and which they had not previously thought of charging.

However, Viv Edwards of The Royal Bank of Scotland (who else?) came up with the correct answer. The notice refers to an asset provided to the bank as security. The English translation is "you can have it back".

Reserved plaice

■ Harry Ramsden's fish and chip restaurant has as many working class credentials as Blackpool itself, so no surprise that it's proving popular with the Trades Union Congress.

So popular is it that John Monks, TUC general secretary, made straight for it when taking a late supper on the eve of the conference. Sad to relate, Monks and Brendan Barber, his number two, were shown the door – because the restaurant had closed.

Arthur Scargill, president of the National Union of Mineworkers, had managed to squeeze in earlier. Scargill may no longer be a big fish in the union pond; but he can still organise a plate of chips.

Gracious

■ Their price has been much discussed. Everything down to the shapes of their bottoms criticised. But can anyone both name the Three Graces and say which one is also a Muse.

And don't be shy. The prize is not, repeat not, the sculpture.

FINANCIAL TIMES
Tuesday September 6 1994

Translators on final text stumble over women's rights

Population conference hits a language barrier

By Bronwen Maddox in Cairo

Linguistic traps are complicating the attempts of 182 countries at the Cairo population conference to draw up a final text of United Nations policy on population and family planning.

The Al Ahram Centre for Journalism, a research group attached to one of Egypt's leading newspapers, has published an analysis of poor translations in the Arabic version of the official UN text which have potentially inflammatory connotations in Moslem societies, it says.

The conference's emphasis on women's rights - a marked departure from previous UN meetings, which have focused on demographic projections and contraceptive techniques - is responsible for much of the difficulty.

Arabic and Chinese translators said yesterday they were having particular trouble with "reproductive rights" and "empowerment of women", the two central principles of the draft policy document, drawn up at the UN in New York.

"In Arabic, the closest we can get to 'empowerment' is 'enabling', but then you have to specify what you were enabling women to do," one translator said.

UN translators and the Al Ahram centre both seize on "single-parent households" as another pitfall. According to the centre, the phrase should have been translated as "households which are financially supported by one person", so that it explicitly included wives who had been divorced or widowed. Otherwise, the phrase implies that all "single" parents are those who have had children outside marriage, it suggests.

Chinese translators invoke Sigmund Freud in explaining the difficulties of translating "human sensuality" from English into Chinese. "In Chinese this comes across as 'sexual life' . . . but this does not catch the implication in the English version that sexuality is a fundamental characteristic of human behaviour," one said.

UN Arabic translators also argued that delegations may be seizing on linguistic difficulties to escape the real philosophical and political differences between countries. The disputes "aren't just the fault of translations, unless the Pope has also been working from the Arabic text," one said, referring to the alliance of the Vatican and conservative Moslem religious leaders on some of the conference's most vexed issues.

Those underlying cultural differences have surfaced most clearly in countries' differing reactions to the declaration that controlling fertility is a "right of individuals", which runs throughout UN text.

Several delegates comment in private that the notion of "individual rights" is drawn from the relationship between an individual and the state in western democracies and is foreign to many other societies.

But according to one translator, "the debate over rights shows that the problems are not all a matter of comprehension. People know perfectly well what rights are - it's just a question of whether governments want to give them to women."

Labor Day baseball struck out by dispute

By George Graham in Washington

It was the US Labor Day holiday yesterday, and President Bill Clinton had weighty matters of labour relations on his mind - the country's baseball strike, now into its fourth week.

"I might say, on this Labor Day, there's still time for them to go back and finish the best baseball season in 50 years, and I hope they will," said Mr Clinton, taking time off from his holiday on Martha's Vineyard for a speech at a Maine shipyard.

Mr Robert Reich, the president's top labour official, was also on the case. He has offered to mediate between the two sides, but said yesterday there was no point in mediating unless both sides actually wanted to negotiate.

For the first time since Labor Day was established 100 years ago, there was no major league baseball to watch on the holiday that traditionally marks the end of summer.

Hopes are fading fast that the deadlock between the players and the team owners might be broken in time for at least a truncated championship play-off.

The owners insist the players must agree to a salary cap. The players insist there can be no serious negotiation until the idea of a salary cap has been dropped.

On a Labor Day when New York City's trade unions could not muster enough support for their traditional parade, the doggedness of the tiny baseball players' union in pursuing its eighth strike in 23 years stands in sharp contrast to the weakness of the rest of the union movement.

Today only 11 per cent of the private sector workforce is represented by a trade union, with only the government employees' unions showing anything like the bargaining tenacity of the professional sports unions.

That may have something to do with the fact that most baseball players, whose average salary now tops $1m, have put something aside for a rainy day, and can also supplement their income while they are on strike by selling autographs or through advertising endorsements.

At least for sofa sports fans the American Football season has started.

Brazil restates commitment to Real as market dips 8%

By Angus Foster in São Paulo and Graham Bowley in London

The Brazilian government yesterday tried to assure domestic and international observers that the country's latest anti-inflation plan remained on course despite the weekend resignation of finance minister Mr Rubens Ricupero.

Worries over Mr Ricupero's resignation and the possibility that it would affect the chances of Mr Fernando Henrique Cardoso, the government's candidate for next month's presidential election, led to an 8.6 per cent drop on the São Paulo stock market by lunchtime, and falls for Brazilian bonds on international markets.

Replacement finance minister Mr Ciro Gomes met President Itamar Franco yesterday and said the anti-inflation plan, together with its main component, a new currency called the Real, would not be changed. "It's essential the [economic] plan continues as it is," he said. He stressed that the team of economists who have overseen the Real's introduction would remain in place in the finance ministry.

Mr Gomes, a 37-year-old politician from Brazil's poor north-eastern state of Ceará, said Mr Ricupero's resignation was the result of "lamentably bad luck". Mr Ricupero resigned after private comments were broadcast by mistake on satellite TV.

During the conversation, he said he had no scruples about the government using the anti-inflation plan to help Mr Cardoso in the election. The plan has cut monthly inflation from 50 per cent to less than 5 per cent.

Advisers to Mr Luiz Inácio Lula da Silva of the leftwing Workers party - Mr Cardoso's main opponent - said they would appeal to Brazil's election tribunal about unfair government support for Mr Cardoso. Mr Orestes Quércia, another candidate, demanded that the tribunal disqualify Mr Cardoso, although this is seen as extremely unlikely.

Mr Cardoso, who leads Mr da Silva in the latest polls by 45 per cent to 23 per cent, has tried to brush off the incident.

In international markets the price of dollar-denominated Brady bonds - bank loans repackaged as bonds which form the largest part of the Brazilian bond market - fell yesterday by more than two points before recovering slightly in later trade. With the US closed for Labor Day, the bulk of the trade took place in London.

Gomes profile, Page 6
Costly slip of the tongue, Page 14

THE LEX COLUMN

Trouble brewing

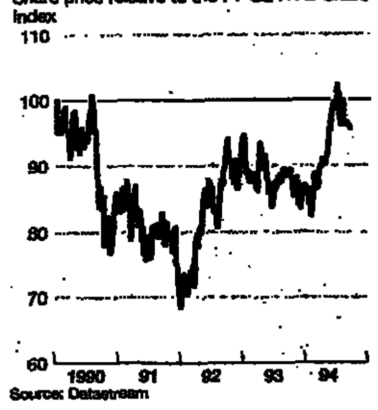
The decision of Foster's to write down the value of its UK assets by one-third calls for a stiff drink. In some respects Foster's is only catching up with its peers. Its stake in the Inntrepreneur pubs venture has been written down to a level already used by its partner Grand Metropolitan, but the red ink in brewing underlines that the outlook on this side of the business is as cloudy as ever. The inflow of cheap cross-channel lager has only added to the wider problem of overcapacity.

Yet any lingering hopes among its competitors that the Courage subsidiary of Foster's would be the first to crack and start closing capacity should be dispelled by yesterday's figures. Its market share increased modestly last year and, thanks to cost savings, the operating performance was respectable. Excluding the impact of changes in excise duty and currency translation, profits were flat. Since the wholesale price war has failed to produce clear winners or losers, the question remains whether the big brewers will be forced into a sober reassessment of strategy.

Anecdotal evidence suggests that the last two months have seen a pause in pricing hostilities, but that could simply be a result of stronger beer sales during the summer months. The long-term trend towards lower beer consumption has not changed. If the autumn brings a seasonal decline in sales, discounting could return with vengeance. It is difficult to see why margins should improve until capacity is withdrawn, which makes Grand Met's decision to sell its brewing interests to Courage three years ago look increasingly well judged.

Burmah Castrol

Share price relative to the FT-SE-A All-Share Index



Source: Datastream

Airbus

Transporting tanks and guns is not so different from carrying passengers and freight, so there is logic in bringing the European Future Large Aircraft project within the Airbus consortium. The move may also bring British Aerospace some advantage in its campaign to persuade the UK government to buy the FLA rather than Lockheed's rival Hercules transport aircraft. Airbus has a track record of delivering aircraft on time and budget, which cannot be said of most military aircraft programmes. If BAe can persuade the government Airbus's good practices can be transferred to the FLA, that could nudge the procurement decision in its favour.

Even so, Airbus's consortium structure is only a second-best option compared with an integrated corporation on the lines of Boeing or the soon-to-be-created Lockheed Martin. Airbus is still too wedded to work-sharing arrangements under which many contracts are awarded in proportion to the stakes held by its partners, so blunting its ability to cut costs through competitive tendering. The FLA will follow a similar model. Not only will BAe be cut out of the project if the UK fails to buy the aircraft. It could even lose its position as supplier of Airbus wings to Deutsche Aerospace. Plans to turn Airbus into a more straightforward company have in the past foundered because of political sensitivities. But, with competition in both military and civilian markets stepping up, its cumbersome structure is looking increasingly like an expensive luxury.

Burmah Castrol

Fears that Burmah Castrol's lubricants business had matured were confounded by yesterday's results. Skilful marketing and geographical expansion into fast-growing markets helped the division achieve 24 per cent growth in operating profits and an 8 per cent increase in sales. Margins were a healthy 10 per cent - not bad for what was supposed to be a mature business.

Given lubricants' success, the continuing failure of the group's diversification into speciality chemicals was all the more disappointing. Synergies between lubricants and specialities have proved hard to discover. Like other lumbering groups lured into the fast-moving speciality chemicals business, Burmah has found decent margins hard to achieve. Despite massive cost cutting, the chemicals division's 5.8 per cent operating margins during the half year to end-June are still worse than those in 1991 - just after Burmah bought into the business. That compares with the 14 per cent achieved by focused speciality groups such as Allied Colloids and Laporte.

Burmah should stick to what it does best - selling lubricants. Ideally, it would divest its chemicals division. It could achieve a decent price as its important continental customer base starts to recover. The worst scenario would be if, once the chemicals businesses had benefited from the cyclical upturn, the company compounded its error by making further acquisitions in the sector. For the moment, management is thankfully stressing the need for organic growth.

Coats Viyella

Managers looking for an easy life do not, on the whole, go into textiles. Yet if Coats Viyella is right, textiles companies are enviable in one respect - their ability to pass on raw materials price rises to their customers. It seems that by adding a few cheap frills to a blouse Coats can convince shoppers it is a new product and increase the price to cover higher cotton costs. Coats expresses confidence that it will continue to recover cost increases fully as they work through over the next few months. Given the current negligible inflation in clothing, that would be quite an achievement.

The odds are that Coats' UK markets will remain tough, and particularly those related to housing moves, which will make it all the more important to avoid self-inflicted wounds. It was not the only one to be caught off-guard by the changes in women's knitwear fashions but the botched attempt to attract younger women into Jaeger was a dangerous gamble.

Perhaps the most disappointing aspect of the interim figures, for which Coats bears little blame, was the fall in profit from less developed countries. Coats' exposure to fast-growing markets in Latin America and Asia has been one of its main attractions for investors. Yet the nature of Coats' business makes it vulnerable to these economies' fluctuations and even if more stable growth were achieved they would still account for a relatively small proportion of group sales. Investors may have to come to terms with the fact that Coats, like Jaeger, is a mature business.

Kohl plays down EU plan

Continued from Page 1

Netherlands tomorrow. He is expected to argue that instead of a single hard core there should be different permutations of countries pressing ahead with integration according to their priorities. A senior UK official explained: "The notion of first- or second-class citizens is not a concept that we think is valid or can be sustained."

Publication of the CDU/CSU paper appears to end the truce on constitutional debate, reopening questions about Maastricht which struck a balance between community-wide obligations and looser co-operation between EU governments in areas such as foreign and defence policy.

Mr Klaus Haensch, the German SPD president of the European Parliament, condemned the notion of selecting a hard core of nations and the publication of the paper ahead of the impending referendums on EU membership in Sweden, Norway and Finland.

Call on IRA ceasefire

Continued from Page 1

London that it was prepared to give visas to Sinn Féin officials.

The spokesman made clear that Mr John Major, the UK prime minister, would prefer the US to refrain from granting Mr Adams a visa until Sinn Féin and the IRA had stated that the ceasefire, announced last week, would be permanent.

Reacting to Sir Patrick's demands Tom Hartley, Sinn Féin national chairman, complained the British were "piddling about".

Last night there was continued speculation that the Ulster Volunteer Force (UVF), one of the main loyalist paramilitary groups, might call its own ceasefire. Mr Chris Hudson, a Dublin trade union official who held talks with the UVF last week, said "there was definitely cautious optimism ... that they were beginning to feel convinced there was no sell-out, no deals done, no secret agenda".

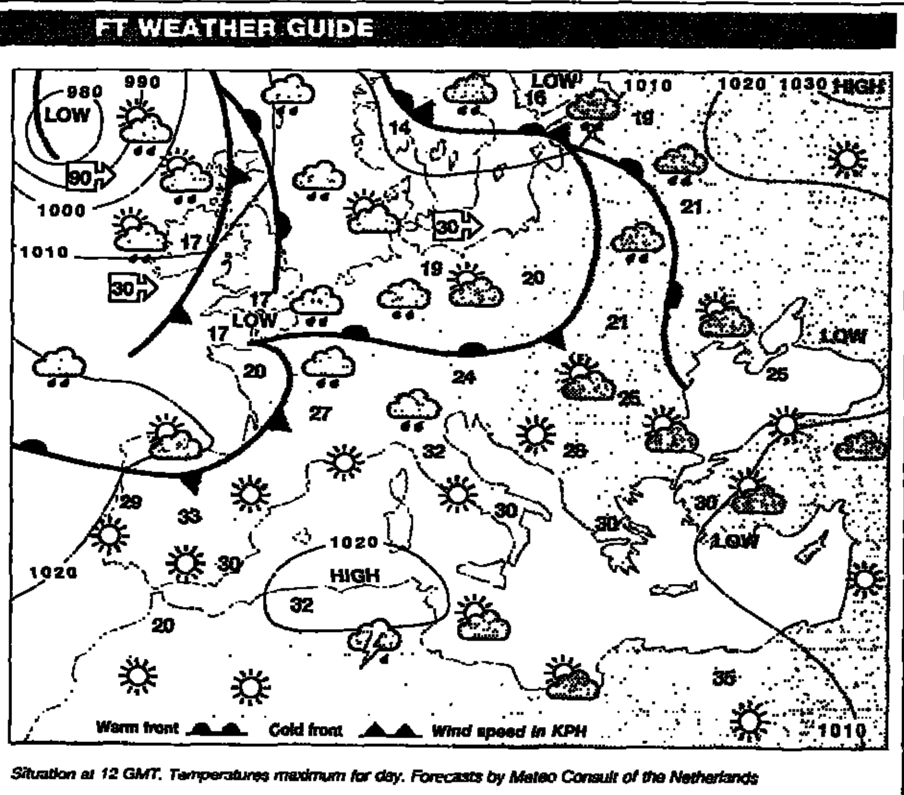
FT WEATHER GUIDE

Europe today

A storm system centred near Iceland will bring wind and showers over the British Isles. A fast-moving low pressure system will cause extensive rain over northern France, the Benelux and Germany. During the rain, temperatures will not exceed 17C. A stationary band of rain will linger over southern Scandinavia but Denmark and northern regions will have sunny periods. Fresh westerlies will draw cool and unstable air over Germany, Poland and the Czech Republic, limiting maximum temperatures to around 19C. Rain over the Baltics will move to the CIS. Temperatures well above 30C and abundant sunshine will still be found in the Mediterranean, although some thunder storms will hit the northern coast of Algeria.

Five-day forecast

Unsettled conditions over north-west Europe will gradually spread to southern France, the Alpine countries and north-west Spain. Showers with a risk of thunder and strong gusty winds are expected over British Isles, the Benelux and western Scandinavia where temperatures will be limited to 13C-16C along northern shores. Eastern and southern Europe will continue mainly warm and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	shower	29
Algiers	thund	32
Amsterdam	rain	17
Athens	fair	31
Atlanta	fair	31
B. Aires	fair	21
B.ham	shower	17
Bangkok	shower	34
Barcelona	fair	28

Beijing	sun	30
Belfast	rain	16
Belgrade	sun	27
Berlin	shower	18
Bermuda	cloudy	32
Bogota	cloudy	19
Bombay	rain	29
Brussels	rain	19
Budapest	fair	27
C.hagen	fair	18
Cairo	sun	35
Cape Town	sun	19

Caracas	shower	31
Cardiff	rain	17
Casablanca	fair	27
Chicago	cloudy	22
Cologne	rain	20
Dakar	fair	29
Dallas	fair	35
Delhi	fair	35
Dubai	sun	41
Dublin	shower	17
Dubrovnik	sun	29
Edinburgh	rain	16

Faro	sun	31
Frankfurt	rain	22
Geneva	shower	25
Gibraltar	sun	26
Glasgow	rain	15
Hamburg	shower	16
Helsinki	shower	15
Hong Kong	thund	31
Honolulu	fair	29
Istanbul	sun	26
Jakarta	fair	32
Jersey	rain	16
Karachi	cloudy	33
Kuwait	sun	43
L. Angeles	fair	25
Las Palmas	sun	29
Lima	cloudy	19
Lisbon	fair	30
London	rain	17
Lux.bourg	rain	20
Lyon	fair	27
Madeira	sun	27

Madrid	sun	33
Majorca	fair	28
Malta	fair	30
Manchester	rain	17
Manila	shower	38
Melbourne	shower	14
Mexico City	shower	19
Miami	thund	32
Milan	fair	28
Montreal	fair	21
Moscow	fair	19
Munich	fair	23
Nairobi	cloudy	22
Naples	sun	30
Nassau	fair	32
New York	fair	30
Nice	sun	26
Nicosia	sun	37
Oslo	shower	14
Paris	shower	23
Perth	fair	20
Prague	fair	22

Rangoon	shower	34
Reykjavik	rain	13
Rio	fair	24
Rome	fair	29
S. Frsco	fair	22
Seoul	shower	32
Singapore	cloudy	32
Stockholm	rain	16
Strasbourg	fair	24
Sydney	fair	26
Tangier	sun	31
Tel Aviv	sun	32
Tokyo	fair	31
Toronto	fair	21
Vancouver	cloudy	20
Venice	fair	27
Vienna	fair	26
Warsaw	shower	20
Washington	fair	30
Wellington	shower	11
Winnipeg	shower	25
Zurich	shower	22

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 6 1994

IN BRIEF

Foster's in UK asset write-down

Foster's Brewing Group, the Australian brewing group which owns Britain's Courage group, yesterday combined news of a 9 per cent fall in profits after tax and abnormals in the year to end-June, with news it is to write down its UK assets by almost one-third. Page 18

Baby Bells call on Hollywood
In the past year, the big regional telephone companies have been beating a path to Hollywood's door, seeking to forge alliances with entertainment groups and film and television makers, hiring programme production executives and exploring joint ventures. Page 20

Casino posts threefold profits rise
Casino, the French supermarket group, yesterday announced a threefold increase in interim net profits to FFr55.9m ($10m) for the first half of this year from FFr17.6m in the same period of 1993 due to a general improvement in trading activities. Page 20

Link-ups for Malaysia and Indonesia
The past few months has seen a sudden surge in business activity between Malaysia and Indonesia as south-east Asia's big companies co-operate to exploit the area's robust economy. Page 19

De Beers puts faith in stable diamonds
De Beers, the South African group that dominates world trade in uncut diamonds, still has faith in its ability to maintain stability in the diamond market despite some short-term difficulties. Page 26

Profits at Mayne Nickless rise 21%
Mayne Nickless, the Australian transport and security services group, saw profits after tax and abnormals rise 21 per cent in the year to July 3 to A$69.5m (US$52m). Page 19

Burmah Castrol raises profits 16%
Burmah Castrol, the lubricants, chemicals and fuels group, increased interim pre-tax profits by 16 per cent but said it would be unable to repeat an "exceptional" performance by Castrol in the US during the second half. Page 23

Heywood Williams lifted by US purchases
US acquisitions lifted the first-half results of Heywood Williams, the UK building materials and automotive components group, which more than doubled the pre-tax profits of its continuing businesses. Page 25

Heavy session for WPP
Activity in WPP, the UK advertising and marketing services group, dominated yesterday's business in the London stock market. Banks that bailed out the company two years ago through a convertible share issue sold much of their stake into the market, raising £138m ($212m). Page 27

Tokyo investors fear for a repeated fall
Investors in Tokyo are increasingly nervous that the market may be about to repeat its precipitous fall of last year on the back of a substantial increase in equity supply. Page 21

Brazil plunges 8.6% as minister quits
São Paulo plunged 8.6 per cent in heavy midday trading as investors sold after the resignation of Mr Rubens Ricupero as economy minister. Mr Robert Barclay of Baring Securities said he expects the market to fall by as much as 20 per cent over the next two weeks. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Heidelb Zem	1285	+	35
Falls			
Bay Vereinsbnk	448	–	12.5
Continental	245.5	–	5.5
Deutsche Babck	251.5	–	8.5
Lufthansa Prf	195	–	5.5
Metallges'llscht	200	–	7
PARIS (FFr)			
Rises			
Casino	170	+	6.4
Radiotechn	554	+	18
Falls			
BNP	235.7	–	5.9
Cred Lyon (C)	466	–	18
Paris Reescmpt	391	–	15.9
Remy Cointreau	209	–	5.4
TOKYO (Yen)			
Rises			
Okuma Corp	958	+	42
Falls			
Code Shusei	551	–	29
Ihara Chemical	955	–	65
M'shita Koto	2830	–	170
Sega Ent	6420	–	460
Toyo Tst & Bkg	1150	–	70

New York closed.

LONDON (Pence)			
Rises			
Banzl	173	+	7
Calderburn	225	+	14
Coats Viyella	228	+	6
Computer People	195	+	10
Enviromed	122	+	5
Haemocell	45	+	4
Learmonth Burch	108	+	8
Plasmec	140	+	10
RPS Group	66	+	5
Rodime	16½	+	3½
Schroders	1525	+	47
Scott Pickford	93	+	4
Trafficmaster	192	+	11
UK Land	50	+	7
Vega	243	+	10
Falls			
British Vita	259	–	11
Burmah Castrol	891	–	14
Pacer Systems	73	–	7
Suter	198	–	11
T & N	231	–	8

Metallgesellschaft more optimistic

By Christopher Parkes in Frankfurt

Metallgesellschaft expects to earn more than DM100m ($64m) in operating profits in 1994-95 after last week's agreement to staunch the flood of losses on controversial oil purchase contracts with Castle Energy of the US.

Current risk provisions of DM1bn already set aside to cover these deficits would have to be increased, the group said last night, although no significant new burdens had arisen from the deal with Castle, it added.

The metals and engineering group, which came close to collapse early this year before being rescued by its creditor banks, also announced it had signed an agreement in principle with an un-named buyer for its Frankfurt headquarters. It expected the disposal to yield "considerable extraordinary profits". Unofficial estimates have valued the site at about DM750m.

A "solution had come closer" in efforts to sell a 47 per cent stake in the Kolbenschmidt automotive components company. The group, which is known to be negotiating with Dana Corp of the US and Britain's T&N, recently instructed Deutsche Bank to draw up plans to place the stock as an option to an industrial sale.

In a statement issued after a meeting between the banking consortium which raised a DM3.4bn salvage package and the company's supervisory board, Metallgesellschaft said it would seek further fresh capital at the end of the current year on September 30, and was confident its proposals would be approved by the banks and shareholders.

The tone of the statement contrasted sharply with a recent warning the company issued at the time of the announcement of terms for its most recent capital-raising move: the offering of 5.6m new shares to raise DM1.4bn.

The prospectus said the success of restructuring measures could not be guaranteed, and there was no chance of dividend payments' being resumed in the foreseeable future.

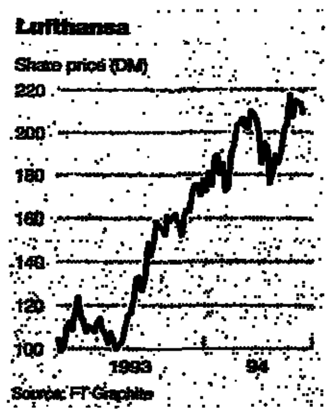
Even though dividend prospects still appear dim, the company seems almost to have reached the end of the sell-off phase of its restructuring, leaving it dependent for future earnings on the rump, which comprises mainly metals trading operations, environmental engineering businesses and a bank.

The shake-out has led to the sale of all mining interests, the highly profitable Buderus heating equipment maker, and sharp contraction in German-based metals smelting.

The crucial move, however, was last week's negotiated escape from contracts between Castle and Metallgesellschaft's US subsidiary MG Corp.

Lufthansa's imminent share sale to exclude US market

By Antonia Sharpe in London



The latest stage in the German government's privatisation of Lufthansa, the national airline, is set to go ahead at the end of this month, said Dresdner Bank, which is co-ordinating the international and domestic offerings, yesterday.

The government's timing coincides with a radical turnround in Lufthansa's fortunes which has resulted in a doubling of its share price from a low of DM97 in January 1993 to a high of DM223.80 last month. The shares closed at DM207.50 yesterday.

Lufthansa said last month it expected to make an operating profit this year and confirmed earlier suggestions that it would resume dividend payments for the first time since 1989.

The government intends to reduce its stake in Lufthansa from 51.4 per cent to about 41 per cent by not participating in the rights issue, Dresdner said. The 3.9m shares which the government will not be taking up will be sold to investors in Germany and abroad, excluding the US.

Lufthansa has decided not to place shares in the US under the Rule 144a of the US Securities Act to limit the risk of excessive foreign ownership which could jeopardise its national flag carrier status.

US investors, however, are likely to be included when the government disposes of the rest of its shareholding which is scheduled to take place before the end of 1995.

The new shares are likely to be priced at a slight discount to the prevailing market price. If investor demand is sufficiently buoyant, the government also intends to sell a further 2.1m existing shares reducing its stake in Lufthansa to 36 per cent.

Dresdner Bank has drawn up a large syndicate of domestic and international banks to ensure a wide placement of the shares.

Kleinwort Benson and National Westminster have been appointed senior sellers of the UK and Ireland tranche, S.G. Warburg and UBS are senior sellers for the rest of Europe tranche and CS First Boston and Morgan Stanley are senior sellers for the rest of the world tranche.

The preliminary circular was published yesterday. The book-building process commences on September 19 and will close 10 days later with the setting of the price and the allocation of the shares.

Coats advances 10%

Tony Andrews
Neville Bain, chief executive of Coats Viyella, the UK's largest clothing and textiles company, foresaw 'further progress' after a 10 per cent rise in first-half profits. Page 18; Lex, Page 16

Dutch bank aims to compete in world's first division

ABN Amro takes small steps on a long march

The decision by ABN Amro, the bank which dominates banking in the Netherlands, to use its name on investment banking operations around the world is a further step on an ambitious route. "We are a bank that takes small steps, but many, many of them," says Mr Jan Kalff, chairman.

It is characteristic of ABN Amro, formed by the merger of Algemene Bank Nederland and Amsterdam-Rotterdam Bank four years ago, to have taken some time to blow its trumpet. For the seventh largest European bank – bigger than Barclays and Dresdner – it has kept a low international profile.

By re-naming its equities, fixed income and some of its corporate finance activities ABN Amro Hoare Govett – after the London broking firm it acquired in 1992 – ABN Amro has sent a signal. It wants to be recognised as a bank that competes with US firms such as Goldman Sachs.

ABN Amro already claims to be a global bank. It has 1,690 branches in 60 countries, because of the colonial legacy of ABN, which had branches in the Dutch East Indies. It also owns the $24bn asset La Salle bank in Illinois, and the $6bn asset European American Bank on Long Island.

In the first half of this year 40 per cent of its assets were outside Holland, while 45 per cent of pre-tax profits were international. But its claim to being a global investment bank is weaker. It does little equity underwriting outside Holland, and is still organising its broking network.

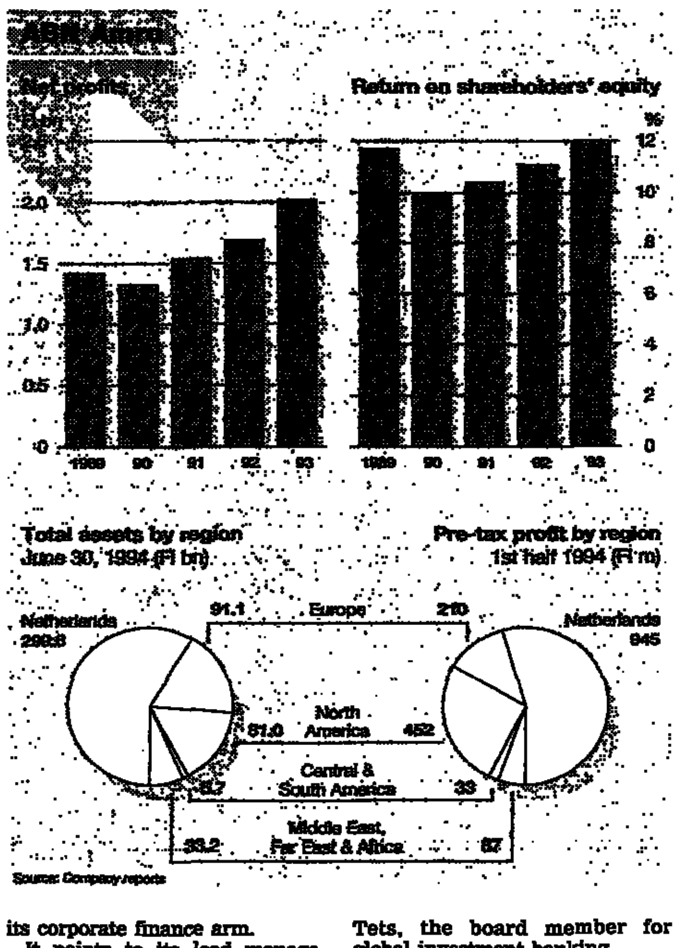
Like Swiss banks which have expanded internationally, ABN Amro faces intense margin pressure in a small domestic market. Like them it has ambitions to put down roots in a second European "home market" by buying a bank or savings bank in Belgium, France, Germany or the UK.

ABN Amro is accustomed to making slow, steady progress. Mr Kalff estimates that it is between "two thirds to three-quarters" towards achieving the Fl 600m ($342.8m) cost savings it said it could get from its merger.

The merger was intended to create a bank which compete globally. "It was obvious that we could not go on acquiring banks, and charging large amounts of goodwill, as ABN had done, without it hampering growth," says Mr Kalff, a former ABN executive who became chairman in May.

The most significant investment banking step ABN Amro has taken since the merger has been to build up a broking network. This includes firms such as Riada Stockbrokers in Ireland and Massonaud-Fontenay-Kervern in France to Hoare Govett. Equities have been run from London since 1994.

ABN Amro wants to meld the broking operations into a single network, and use it to strengthen its corporate finance arm.



It points to its lead management of the Fl 7bn flotation of the Dutch post and telecommunications company KPN this year, when its network of brokers – notably Hoare Govett – allowed it to distribute KPN equity. It will be a much harder task to break into primary equity business elsewhere, but Mr Kalff says he is optimistic that its huge client list of large companies will eventually help it to prevail.

"I am optimistic that we will make an inroad one of these days if we show our capability and commitment," says Mr Kalff about lead managing equity in France. ABN Amro has also applied for US securities underwriting powers, although Mr Kalff says it will be a hard market to penetrate.

Making its broking network function effectively as a unit could also take some time. "Sometimes the French have problems listening to Amsterdam, and now they must listen to London, which may be even more difficult," says Mr Rijnhard van Tets, the board member for global investment banking.

ABN Amro's investment banking is aiming to gain 50 per cent of pre-tax profit internationally, a 12 per cent return on equity, a cost-income ratio of 62.5 per cent, and capital ratios at least 30 per cent higher than the minimum.

The bank has avoided a strong push into derivatives, and does less financial markets trading than its counterparts in Switzerland. But this places it under stronger pressure to break into markets like equity underwriting to justify international investments.

"We are very risk conscious. We are not averse to risk, but we do not take something on unless we are sure we can manage it," says Mr Kalff. Yet given the low margins on international lending, ABN Amro may find it hard to achieve target returns without taking more risks that it has in the past.

John Gapper and Ronald van de Krol

Austrian bank seeks foreign partners

By Ian Rodger in Vienna

Bank Austria is looking for international strategic financial partners after the announcement by the federal government that it wanted to sell its 22.8 per cent voting stake in the country's largest bank.

Mr Hans Mayr, deputy mayor of Vienna, said he was already in discussion with "a number of large international banks" about buying parts of the government's shareholding.

The City of Vienna controls 51.8 per cent of the votes and 45.6 per cent of the capital in Bank Austria. Although the bank already has relations with Westdeutsche Landesbank, Mr Mayr told Vienna's Der Standard that the discussions were mainly with banks from Anglo-Saxon countries, and he would rather bring in three or four partners than a single one.

Mr Mayr also said the city would let its shareholding in Bank Austria drop below 50 per cent in the near future by not participating in rights issues.

Mr Ferdinand Lacina, the Austrian finance minister, confirmed last week that the federal government wanted to sell its stake in Bank Austria, but added: "We are not in a hurry and don't want to be pressured." The market value of the federal government stake in Bank Austria is about Sch11.1bn ($1bn).

Mr Lacina, meanwhile, said yesterday he had engaged J.P. Morgan, the US investment bank, to assess bids for parts of the government's 70 per cent voting stake in Creditanstalt-Bankverein, the second largest bank.

CS Holding, the financial services group built around Credit Suisse, and a consortium drawn from mainly from Conservative business circles in Austria have made competing bids.

Mr Lacina has said Allianz, the German insurance group, has also showed interest. Some Viennese bankers suspect that the Raiffaisen group of banking co-operatives, which last year made an aborted bid to merge with Creditanstalt, may try again.

Mr Rainer Gut, CS chairman, has made clear CS would eventually want full control of Creditanstalt. Mr Lacina, who has hitherto been supportive of the CS bid, said last week that an Austrian influence in the bank should be guaranteed.

The stances of both Mr Lacina and Mr Mayr probably reflect, at least in part, short-term political interests.

Saint-Louis to accelerate expansion of sugar sector

By Alice Rawsthorn in Paris

Saint-Louis, the French food and transport group, plans to accelerate its expansion within the European sugar industry, according to Mr Bernard Dumon, chairman.

Mr Dumon told Le Figaro, the French newspaper, that he was interested in increasing the company's sugar activities in France and in the emerging eastern European markets.

The chairman also affirmed that the group, which suffered a fall in net profits last year, was on course for recovery in 1994.

Saint-Louis is already in negotiations to augment its western European sugar interests by raising its stake in General Azucarera, the Spanish sugar concern, from the present level of 10 per cent to 20 per cent.

The deal involves the acquisition of a holding now owned by the Banco Central Hispanoamericano banking group.

The talks with Banco Hispanoamericano have been under way for some months.

Mr Dumon said that the two companies were about to resume negotiations in earnest after a lull during the summer holidays.

When the General Azucarera deal is completed, Saint-Louis, which is understood to be able to spend more than FFr7bn ($1.3bn) on acquisitions, will turn its attention to expansion elsewhere in Europe.

One priority is eastern Europe, where it already has projects under way in Poland and the Czech Republic.

The group has already announced that it might sell its 2.4 per cent stake in Danone, another French food group, to finance its future expansion.

Mr Dumon estimated the value of the Danone holding at about FFr1.3bn.

He also forecast a "substantial improvement" in net profits for Saint-Louis this year.

The group last year saw net profits slip to FFr717m from FFr774m in 1992.

The chairman envisaged static profits from sugar during 1994, with an increased contribution from prepared meals and a significant upturn from the paper business.

Coats overcomes patchy demand

By Tim Burt in London

Coats Viyella, the UK's largest clothing and textiles company, yesterday shrugged off patchy demand and sharp increases in raw material prices by reporting a 10 per cent rise in first-half profits.

The group's success in passing on price rises to customers helped lift pre-tax profits to £69.2m ($107.26m) from £62.8m in the six months to June 30.

"We've been more creative than other manufacturers in passing on increased prices," said Mr Neville Bain, chief executive.

The group also said it had seen signs of a strengthening recovery in the UK and continental Europe, which contributed to increased sales of £1.22bn, against £1.17bn.

Operating profits, however, were held back by disappointing performances in two core divisions – fashion retailing and clothing.

The fashion business saw profits fall to £3m from £4m as the group tried unsuccessfully to attract younger customers, while the clothing division reported reduced gains of £3.3m, against £5.2m, after closing its south Wales uniform factory.

The decline was offset by the thread division – the largest business – where profits rose marginally to £46.1m from £45.9m and improvements in all its other operations except home furnishings.

The figures were also flattered by sharply reduced interest payments of £14.2m from £26.1m, after the conversion last November of £97.7m worth of its 7.25 per cent convertible preference shares.

Mr Bain said the group would be paying a foreign income dividend for the first time. Under the scheme, introduced in the last Budget, companies can relieve surplus advance corporation tax by paying dividends out of their substantial overseas earnings.

Earnings per share, adjusted to treat the enhanced scrip dividends as rights issues at less than the full market price, rose from a restated 4.6p to 6p. The shares rose 6p to 226p.

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Borealis cuts losses to DKr250m

By Hilary Barnes in Copenhagen

Borealis, the plastics joint venture set up this year by the Finnish and Norwegian state-owned oil refiners, Neste and Statoil, cut its first-half loss to DKr250m ($41m). Turnover was about DKr6.53bn.

No comparable figure for 1993 was available, but Mr Svein Rennemo, Borealis' chief financial officer, said the loss last year was estimated at DKr1bn-DKr1.2bn.

Mr Rennemo said cost reductions resulting from the merger, which created Europe's largest producer of polyethylene and polypropylene, played a significant part in the improved performance.

Mr Rennemo cited several gains from the merger. He pointed to lower costs for head office staff, a streamlined sales force, lower research and development costs, and lower costs arising from operating the Neste and Statoil petrochemical operations at Stenungssund in Sweden as a single operation.

Borealis forecast a better second half, when growing demand for plastic raw materials is expected to lift prices.

Merck rises 19% with upbeat view for full year

By Ian Rodger in Zurich

Merck, the stock market listed Swiss holding company for the international interests of the German chemical group F. Merck, has reported a 19 per cent rise in first-half net income to SFr101m ($77m) on sales up 2 per cent to SFr1.37bn.

Merck said it expected a continuing positive trend in terms of sales and earnings, and Mr Hans Joachim Langmann, president, forecast double-digit profit growth for the full year.

Mr Langmann said that "the results of a large number of individual measures aimed at increasing efficiency will become apparent in the second half of 1994".

The group's turnover in Europe was up 3 per cent to SFr859m in the first half while North America gained 5.8 per cent to SFr144m.

Pharmaceuticals sales were down 4 per cent to SFr564m, while sales of chemicals advanced 16.3 per cent to SFr357m.

Revenues from laboratory products were up 2 per cent to SFr447m.

Operating profit was up 8.6 per cent to SFr189m.

Banesto agrees to sell stake in winery business

La Corporación Banesto, the industrial holding company within Spain's Banco Español de Crédito (Banesto), has agreed to sell its 67 per cent stake in the winery Bodegas to Bodegas y Bebidas for Pta4.51bn ($34.5m), AP-DJ reports from Madrid.

Bodegas and Bebidas is owned by Banco Bilbao Vizcaya (BBV). Bodegas is the top exporter of wines from Spain's Rioja region. In 1993, it posted a profit of Pta500m on sales of around Pta6bn.

The disposal forms part of Banesto's gradual sale of non-banking assets, ordered by Banco Santander when it took a majority stake in April.

Foster's in UK asset write-down

By Nikki Tait in Sydney

Foster's Brewing Group, the Australian brewing group which owns the UK's Courage group, yesterday combined news of a 9 per cent fall in profits after tax and abnormals in the year to end-June, with the announcement that it is to write down its UK assets by almost one-third.

Foster's said that it was cutting the value of its UK assets on its balance sheet by A$955m (US$709m). They are writing down A$385m for the Courage brand names, A$242m for goodwill, A$58m for Courage's fixed assets and A$270m for the company's investment in Inntrepreneur Estates (IEL), the pubs business in which Courage holds 50 per cent.

The write-down decision followed continued trading difficulties in the UK; a complex regulatory environment; more access to the UK market for European brewers; and the "market trend to the lower-margin, take-home segment", Foster's said.

But the Melbourne-based group also announced that it would offset much of the balance sheet damage by writing up the value of its Australian assets, and including a valuation for the Carlton and United brand names. In the 1993 accounts, Foster's did not include a CUB brand valuation but said, in a footnote, that directors considered them to be worth around A$1bn-A$1.2bn.

Yesterday, Foster's said that it had refered to an independent assessment when deciding the value of the CUB brands but decided to pick a substantially lower figure. "To remove all doubt about the long-term sustainable worth of these brands, directors considered it appropriate to adopt more conservative valuation assumptions". The value of the Australian brand assets has increased by A$665m.

As a result, A$439m of the UK write-downs is charged against the asset revaluation reserves, which have been bolstered by the CUB write-up. The remaining write-downs are largely offset by abnormal gains, notably from asset sales, the restructuring of Foster's investment in Beswick (which holds shares in BHP, the mining group) and from the write-back of earlier finance asset provisions. The end-result is an abnormal charge of A$71.9m taken through the profit and loss account.

Foster's reported a 10.3 per cent increase in pre-tax profits to A$308.4m. Sales fell to A$5.07bn from A$6.49bn.

Operating earnings from CUB rose to A$250m from A$211m, with market share climbing to 53 per cent. Pre-interest profits at Courage, by contrast, fell to A$174m from A$208m, a decline exacerbated by the strengthening Australian dollar.

Profits were helped by a sharp drop in interest charges, to A$214.9m from A$343.3m, with end-June debt put at A$1.85bn compared with A$2.64bn a year ago. Basic earnings per share were 8.7 cent, compared with 10.7 cents in the previous 12 months. There is an unchanged final dividend of 3.25 cents.

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A fresh look at brewing problems

The Australian group is reviewing UK strategy, writes Roderick Oram

With its asset write-down yesterday, Foster's Brewing Group took a step toward solving several strategic problems it faces in the UK in brewing and pub retailing.

On the brewing side, Courage, the second-largest UK brewer, is suffering like the rest of the industry from declining beer consumption and intense competition. Some industry observers have even questioned whether Foster's would stay the course.

On the pub side, it stands over the next few years to lose supply agreements and ties to pub estates that account for some 25 per cent of its output.

It thought it had found the solution to these problems four years ago in a complicated agreement with Grand Metropolitan, the UK food and drinks group: Foster's was to commit itself to brewing, while GrandMet would concentrate on pub retailing, allowing each group to use its strengths.

To that end, GrandMet sold its brewing activities, including the UK production of Carlsberg Pilsner and Budweiser, to the Australian group to enhance Courage's portfolio. GrandMet and Foster's combined their pubs in a 50:50 joint venture, Inntrepreneur Estates (IEL), which GrandMet in effect runs.

Inntrepreneur was dogged from the start by its financial structure. Both parties loaded it with debt so they could extract cash from the transaction. However, pub asset values fell rapidly during the recession, forcing Foster's and Grand Met to put in more equity in order to maintain banking covenants.

IEL, which has an estate of some 6,500 pubs, has also found trading difficult. Foster's gave it some hope yesterday, saying IEL would achieve "a modest profit" for the first time in the year to September, due in part to lower interest costs. The City had been expecting break-even at best.

"IEL is motoring along quite favourably," Mr Bob Williams, managing director of Grand Metropolitan Estates, said yesterday.

In spite of this pick-up, Foster's has to address two questions with IEL:

- its agreement to supply beer to IEL runs out in 1998;
- GrandMet has indicated it would prefer to focus on IDV, its international spirits business, and food activities such as Pillsbury. "IEL is not a key part of that strategy," Mr Williams said.

More urgently, Foster's will next year lose an agreement to supply beer to the Chef and Brewer pub and restaurant chain, bought last year by Scottish & Newcastle from GrandMet. Although Foster's will continue to supply beer to bigger Chef and Brewer outlets for a further five years, Scottish & Newcastle will clearly want to increase sales of its own beers.

In spite of attempts by the UK government, through its "beer orders", to bring greater separation of brewing and pubs, all large British brewers, except Courage and Guinness, still have estates. Guinness, however, is a special case because its strength lies in a powerful international brand, leaving Courage with a stiffer sales task than its domestic competitors.

Foster's will say only that it is reviewing all its strategic options in the UK. For many industry observers, however, buying a large chunk of the IEL estate would at least guarantee some sales volume.

Price, however, could be an issue. Foster's and GrandMet now value their combined equity in IEL at £225m ($338m). They also have more than £500m of IEL debt or loans on their books. Foster's, therefore, might have to pay about £500m to buy most of the pubs, leaving the rump to be sold to a management buy-out or piece-meal to one or more of the newly-established pub chains.

Fortunately for Foster's, its year-end results announced yesterday carried a good operating contribution from Courage. The UK brewer contributed operating profits of A$174.4m (US$130.1m), down from A$208.3m a year earlier. They were essentially flat, however, allowing for the impact of a change in excise duty in the UK, and currency translations.

Courage's sales fell to A$2.19bn from A$2.39bn, with its beer volumes flat in a declining market.

"Courage has delivered some of the best beer numbers the industry has seen in the past year," said Mr Geoff Collyer, an analyst with NatWest Securities. Coupled with the write-down and talk of strategic changes, "Foster's is announcing, in effect, that it's here to stay."

The UK performance was helped by cutting some A$50m out of Courage's annual operating costs of A$900m, as part of a continuing effort to increase productivity. Its marketing expenses also rose sharply in the first half as Courage, along with other brewers, shifted some of its financial fire-power away from steep trade discounts to marketing in search of market share.

Peregrine hurt by market downturn

By Louise Lucas in Hong Kong

Peregrine Investments, the Hong Kong-based merchant bank, has reported a 5 per cent increase in first-half net profits, to HK$398m (US$51.5m) from HK$380.9m.

The company's usually strong performance was held in check by the downturn in Asian equities markets which followed the lifting of short-term US interest rates, Mr Philip Tose, chairman, said.

For each of the three years to December 1992 the group more than doubled profits; last year earnings rose 43 per cent to HK$869.5m.

Falling stock markets and dwindling volumes led to a sharp reduction in corporate finance and securities activity, particularly in the second quarter.

In the first half, the company invested in a new division, Peregrine Fixed Income, which was set up with a team poached from Lehman Brothers in Hong Kong.

New offices were opened in the six months in Munich and Zurich, and plans are under way for a Bahrain office to serve Middle East investors interested in south-east Asia.

Earnings per share, taken on a fully diluted basis, inched up to HK$0.65 from HK$0.64 in the same period last year. The interim dividend is to be held at 25 cents.

While turnover more than doubled, to HK$6.4bn from HK$3bn, the operating profit was virtually flat at HK$294.9m.

Mr Tose said the group would continue to diversify into business areas such as fixed income, direct investment operations and global trading of convertible bonds, depositary receipts and warrants.

He expected a more stable second half, although uncertainties over interest rates and inflation would persist.

Profits ahead by 21% at Mayne Nickless

By Nikki Tait in Sydney

Mayne Nickless, the Australian transport and security services group, saw profits after tax and abnormals rise by 21 per cent in the year to July 3.

The company made A$69.5m ($52m), compared with A$57.4m previously.

The results, however, were muddied by a significantly increased abnormal item, but a sharply-lower tax charge.

Abnormals took A$70.8m before tax, compared with A$51m last time, largely as a result of a restructuring in the Australian transport operations and a mixture of closures and retrenchments in Europe. The total tax charge fell to A$41.6m from A$56.3m.

At the operating level, Mayne made a pre-tax profit of A$181.9m, compared with A$164.8m in the previous year. Revenues were up by 2.6 per cent at A$2.84bn. Earnings per share before abnormals were up by 13 per cent at 41 cents. The final dividend is 17 cents a share (against 15 cents), after an interim of 16 cents (15 cents).

The company reported encouraging progress from its core Australian transport services business, and earnings from the Health Care of Australia business also nudged ahead.

In Europe, operating earnings overall were up by 23 per cent, in spite of competitive price pressures faced by the UK express freight subsidiaries and continued losses and the Spanish Transportes Helguera business.

Operating profits in the US rose by 9.4 per cent.

Co-operation replaces competition

Kieran Cooke reports on a surge in activity between Indonesia and Malaysia

South-east Asia's big companies are increasingly co-operating in order to exploit more fully the area's robust economies, and leading the charge are Malaysian and Indonesian concerns.

"Over the last few months we have seen a sudden surge in business activity between Malaysia and Indonesia," said Mr Anwar Ibrahim, Malaysia's deputy prime minister, on a recent investment mission to Indonesia. "Companies in our two countries are learning to co-operate rather than compete."

Though Malaysia and Indonesia have strong cultural, racial and religious links, there have often been sharp political differences between the two countries. Corporate contacts have been few and trade limited.

The catalyst for the recent flurry of cross-border corporate dealings was a meeting between President Suharto of Indonesia and Dr Mahathir Mohamad, Malaysia's prime minister, at the end of last year. Since then, deals have been announced on a regular basis.

● Indonesia has agreed to import Proton cars manufactured by Malaysia's Perusahaan Otomobil Nasional. In return, Malaysia will buy aircraft manufactured by Indonesia's Industri Terbang Nusantara (IPTN). Proton says it will export about 2,500 of its cars to Indonesia during the next year and eventually plans to assemble cars there. Malaysia has not said how many Indonesian-made aircraft it intends to buy.

The deal is controversial. Other car importers in Indonesia have been angered by reports that PT Citra Lamtoro, the local company which has been appointed as Proton distributor, will be exempt from 300 per cent Indonesian duties imposed on most imported vehicles.

PT Citra is controlled by Mrs Hardijanti Rukmana, the eldest daughter of Mr Suharto.

● One of the year's more unusual corporate deals came in February when Indonesian and Malaysian interests took control of Lamborghini, once the pride of Italy's sports car manufacturers.

Mr Hutomo Mandala Putra, Mr Suharto's youngest son, has a 50 per cent stake in Megatech, the Bermuda-registered company which owns Lamborghini. Other shareholders are Mycom, a listed Malaysian gaming company, and the Malaysian police investment fund.

● In April, two of south-east Asia's wealthiest businessmen, Mr Robert Kuok and Mr Liem Sioe Liong, announced they were teaming up to develop sugar plantations and refining operations on the Indonesian island of Sumatra.

Mr Kuok, a Malaysian Chinese, controls a business empire with interests ranging from beach resorts and housing schemes to ownership of a controlling interest in Hong Kong's South China Morning Post group. Mr Liem, an Indonesian Chinese, controls Indonesia's largest business group, with interests ranging from noodle making to cement manufacturing.

● In mid-July Barito Pacific Timber, one of Indonesia's largest companies and the world's leading exporter of plywood, said it would purchase about 70 per cent of a small, loss-making Malaysian building supplies company listed on the Kuala Lumpur exchange.

Indonesian companies anxious to go public and raise funds for expansion are envious of Kuala Lumpur's highly liquid stock market. The Jakarta exchange is considerably smaller and less developed.

Under the terms of the deal, Barito will inject a significant part of its funds into the Malaysian company and so achieve a "back-door" listing on what is south-east Asia's biggest exchange in terms of total capitalisation.

The deal has been backed by the Malaysian and Indonesian leaders, but it has also been criticised. Such corporate manoeuvrings are coming under increasing scrutiny from Malaysia's Securities Commission. In Indonesia there is criticism that Barito, controlled by Mr Prajogo Pangestu, an Indonesian Chinese businessman closely linked to the ruling family, is not investing company funds inside the country.

● Last month, Renong, one of Malaysia's biggest conglomerates, and the Indonesia state-owned Bank Rakyat Indonesia agreed to set up a $100m venture capital fund in Indonesia. Its aim is to help medium-sized industries in that country and promote links with their Malaysian counterparts. Again, the deal is supported by both governments.

Renong has close links to Malaysia's United Malays National Organisation, the dominant political party in Malaysia, while Bank Rakyat is one of Indonesia's largest banks, with assets of about $12bn.

"We encourage investment from the east and west in our countries," says Dr Mahathir, "but we should also promote investments and co-operation between neighbouring countries."

INTERNATIONAL COMPANIES AND FINANCE

Baby Bells call on Hollywood

Phone and entertainment groups are linking, writes Patrick Harverson

Links between the telephone and entertainment industries in the US have traditionally, been restricted to phone companies employing actors and celebrities to appear in their television advertisements. But that relationship is changing.

In the past year, the big regional telephone companies have been beating a path to Hollywood's door, seeking to forge alliances with entertainment groups and film and television makers, hiring programme production executives and exploring joint ventures with other industry powers, such as talent agencies.

Why the enthusiasm? The telephone companies have the technology to provide two-way, or interactive, television programming to phone customers via broadband communications lines. But they do not have the product – in the shape of movies, video games, educational programming and television shows – to send to customers over those lines.

As Mr Jack Grubman, telecommunications industry analyst at Salomon Brothers, says of the phone companies: "These guys don't know anything about entertainment."

But Hollywood does – which explains why the Baby Bells have been rushing to Los Angeles to talk to companies such as Walt Disney, which probably originates and distributes more entertainment products than any other in the US.

Those talks have borne fruit. Last month, three Baby Bell regional telephone companies – Ameritech, BellSouth and Southwestern Bell – announced a joint venture with Disney to create interactive video programming carried on the phone companies' home video networks.

Each of the three has begun to build the distribution services for entertainment programming. Ameritech is spending $4.4bn to provide video services to 6m of its customers in the Midwest by the end of the decade. Next year, BellSouth will start testing interactive multimedia services to 12,000 homes in Georgia, and Southwestern Bell plans to have a video-on-demand system for customers in Texas by 1996. Disney will help provide the phone companies with the films, cartoons, and television programmes.

Love at first sight: three Baby Bells are embracing Walt Disney

Not to be outdone, three other Baby Bells – Nynex, Bell Atlantic and Pacific Telesis – not to be outdone, are reportedly close to signing a similar agreement with Creative Artists Agency, Hollywood's top talent agency.

CAA has moved beyond representing actors, directors and writers, and is heavily involved in programming for films and television. Any deal is likely to involve the agency agreeing to help commission and produce programmes for the phone companies.

The phone companies have been tapping the entertainment industry for executives to run their programming operations.

For example, Mr Patrick Campbell of Ameritech, responsible for co-ordinating the company's venture with Disney, was previously president of Columbia TriStar Home Video, and Ms Heidi Diamond, Ameritech's head of consumer marketing and sales for its video and interactive services, used to work at the Nickelodeon television channel.

The movement of talent has not been just one-way. Earlier this year, CAA hired Mr Robert Kavner, AT&T's multimedia chief.

These manoeuvres are aimed at preparing for when the government passes legislation to deregulate the phone and cable television industries.

That legislation, still wending its way through Congress, will allow phone companies to provide television programmes, and cable companies to provide phone services. When the time comes, the phone companies want to have the programming in place to wire to their customers.

As Mr Peter Shapiro, senior consultant in cable and telecommunications at Arthur D. Little in New York, explains: "All the RBOCs [regional bell operating companies] are looking to build a broadband network and develop interactive television multimedia services. Their one area of real vulnerability is in the supply of programming ... What they want to get their hands on is the supply of programming to prime the pump for their own systems when that's allowed."

Phone companies are eager to secure programming because those with a head start when deregulation arrives stand to make a lot of money. The three Baby Bells that have linked with Disney, for example, serve more than 50m consumers across the US, while the three phone companies reported to be negotiating with CAA serve 46m customers between them.

While the phone companies are linking with Hollywood through joint ventures and other alliances, few expect to see them buy a programme-producer – such as a studio – outright. That would be taking too much of a risk, says Mr Shapiro.

"It would be close to insane for an RBOC to put down money and buy a movie studio. But getting in early to see if they can develop new forms of programming with companies that can do programming, that may not be so crazy," he says.

The Baby Bells are prevented from owning programmers by federal restrictions on cross-ownership in the telecommunications and entertainment industries, points out Mr Grubman.

In spite of the recent flurry of activity across the increasingly-blurred borders between the telecommunications and entertainment industries, there is still a long way to go.

The phone companies' expansionist dreams of providing customers with everything from films, entertainment and educational televisions shows to computer games and shopping services, will not be realised for several years. And during that time the rules of the game could change.

"These are early days for these sort of ventures. A lot will happen in the next couple of years as the nature of programming becomes better defined, and the roles of the participants are better understood," says Mr Shapiro.

Casino posts threefold profits rise to FFr56m

By Alice Rawsthorn in Paris

Casino, the French supermarket group, yesterday announced a threefold increase in interim net profits to FFr55.9m ($10m) for the first half of this year from FFr17.8m in the same period of 1993 due to a general improvement in trading activities.

Mr Antoine Guichard, chairman, said Casino was changing its status from a partnership to a public limited company.

This reflects a long-term trend in French industry. Several large groups have made similar changes by abolishing the old *commandité actions* system under which small groups of shareholders in effect control the company.

Casino has been controlled by Eurosia, a legal vehicle belonging to the Guichard family and institutional investors. Mr Guichard said such a structure had played a critical role in the company's development since its foundation in 1898 but the *commandité actions* concept had since become "less and less valid or justifiable".

Casino reported a modest improvement in trading activity during the first six months of the year.

Interim sales rose 1.6 per cent to FFr29.38bn from FFr28.92m with operating profits up 26.7 per cent at FFr331.5m from FFr261.8m.

Casino attributed the increase in trading margins to the benefits of the merger with Rallye supermarkets group and to general improvements in cost control.

Revenues at Schindler fall 2.4% at midway

By Ian Rodger in Vienna

Schindler, the world's second largest elevators and escalators group after Otis of the US, said its revenues in the first half dropped 2.4 per cent to SFr2.16bn ($1.5bn).

No profit figure was published, but the group said it expected net income for the full year to be slightly below the SFr168.6m reported for 1994.

It predicted that full-year operating profit would be broadly in line with last year's SFr150.5m because of continuing unfavourable market conditions.

Sales of elevators and escalators fell 7.5 per cent in the first half to SFr1.81bn, sales of rolling stock gained 15.3 per cent to SFr158m and revenues from the recovering Also computer services subsidiary jumped 64 per cent to SFr187m.

Total new orders were up 4.9 per cent to SFr2.2bn, and orders on hand at the end of June were SFr2.65bn, 0.4 per cent lower than at the end of 1993. The group said the SFr51m in new orders for rolling stock was nearly double the level in the year earlier but was below expectations.

FT-Actuaries World Indices

On June 23, the FT-Actuaries World Index Policy Committee announced that Thailand and Brazil would be included in the World Indices from October 1 1994, subject to satisfactory resolution of several outstanding technical issues. The committee has decided that Thailand and Brazil will be added from November 1 1994, to the World Index and all relevant regional indices.

The addition of both new markets was postponed until November 1 in response to comments from index users, some of whom have expressed concern about the substantial lead-time required before first-time investors can participate in the Brazilian market.

Simultaneous with the introduction of Brazil, FT-AWI Mexico will move on to a same-day calculation basis from its current one-day lag, and a new Americas regional index, consisting of the US, Canada, Mexico and Brazil will be added to the daily table.

When new countries are added to the World Index, it is necessary to set initial index levels. These will be US dollar index values derived from the value for the World Index on October 31 1994.

There will be a slight modification from the usual practice for the Brazil index level in local currency. Normally an index in local currency is calculated as a function of the index level in US dollars, the current exchange rate, and the exchange rate from December 31, 1986. In the case of Brazil, years of hyperinflation would result in an impractically large number for the local currency index.

To adjust for this, the exchange rate from December 31 1986 will be multiplied by a factor which will scale the index to a level comparable to that of the Brazil US dollar index.

Following comments from users of the World Indices, the committee has also decided that to reflect as accurately as practicable conditions for foreigners trading in Thailand, the following guidelines will be used to price Thai shares, including the prices used to start the index.

1. Foreign board prices will be used where the aggregate of foreign holdings are greater, equal to or less than three percentage points below the permitted foreign limit (see 4 below).
2. Domestic board prices will be used in all other cases.
3. The World Index Policy Committee will, for the purposes of determining the type of price to be used, review the latest aggregate levels of foreign holdings and the individual foreign limits at its quarterly meetings. Any changes in the type of price used for individual lines of Thai stocks will be announced after each quarterly meeting and implemented at the start of the next quarter. There will be no changes in types of prices used during a quarter.

However, the practice of making pre-announced adjustments to companies' investibility weightings during a quarter will continue to be applied to all countries. Thai companies' investibility weightings will, where appropriate, take into account any changes in the permitted foreign limits for individual lines.

4. Every day before the Thai index is calculated, all constituent lines priced from the foreign board will be reviewed. If the foreign board price for any line is unchanged from the previous day but there has been a price movement in the domestic board price, a calculated foreign board price will be determined as follows:

Calculated foreign board price = today's domestic board price x (yesterday's foreign board price used in the calculation of the Thai index/yesterday's domestic board price).

Where the foreign and domestic board prices are unchanged, the latest price used in the calculations of the index will be carried forward.

The constituents of Thailand and Brazil are as follows. The investibility weightings are correct at the time of publication but may be subject to amendment prior to the launch of the index.

Thailand: (D after a Thai stock indicates that a domestic price will be used and F that a foreign board price will be used. The figure after each name refers to the company's investibility weighting). Advanced Information Services (D - 40 per cent); Asia Securities Trading (F - 30); Bangkok Bank (F - 25); Bangkok Land (F - 20); Bangkok Metropolitan Bank (F - 25); Bank of Asia (F - 25); Bank of Ayudhya (D - 25); Banpu (D - 30); Charoen Pokphand Feedmill (F - 40); Christiani & Nielsen (Thai) (D - 39); CMIC Finance & Securities (F - 25); Dhana Siam Finance & Securities (F - 25); Finance One (F - 35); First Bangkok City Bank (F - 25); General Finance & Securities (F - 25); Hemaraj Land & Development (F - 25); Industrial Finance Corporation of Thailand (D - 49); International Broadcasting Corporation (D - 40); International Cosmetics (F -30); Krisda Mahanakom (D - 20); Krung Thai Bank (F - 35); Land & Houses (D - 25); MDX (D -20); Natural Park (D - 49); Nava Finance & Securities (F - 25); NTS Steel Group (D - 22); Padaeng Industry (D - 49); Phatra Thanakit (D - 20); Property Perfect (F - 15); Quality Houses (F - 25); Regional Container Lines (D - 30); Samart Corporation (D - 30); Securities One (D - 25); Shinawatra Computer & Communications (D - 35); Siam Cement (D - 25); Siam City Bank (D - 25); Siam City Cement (D - 25); Siam Commercial Bank (D - 25); Telecom Asia (F - 13); Thai Farmers Bank (F - 25); Thai Military Bank (F - 25); Thai-German Ceramic Industry (D - 49); TPI Polene (D - 30); Union Asia Finance (D - 15); Univest Land (F - 25); Wattachak (D - 24).

Brazil: (investibility weightings are 100 per cent, and all lines are preferred stock, unless stated otherwise). Aracruz Celuloso; Banco Bradesco; Banco do Brasil; Banco Itau; Brasmotor; Centrais Electricas Brasileiras (Electrobras) B pref.; Companhia Cervejaria Brahma; Companhia Energetica de Minas Gerais (Cemig); Companhia Energetica de Sao Paulo (Cesp); Companhia Siderurgica Belgo-Mineira ordinary (49) and pref; Companhia Suzano de Papel E Celulose; Companhia Vale do Rio Doce ord (24) and pref; Companhia Vidraria Santa Maria ord (49); Duratex; Industria Klabin de Papel E Celulose; Investimento Itau; Lojas Americana ord (49) and pref; Petroleo Brasileiro (Petrobras); Petrobras Distribuidora BR; Siderurgica Tubarao; Telecommunicacoes Brasileiras (Telebras) ord (42) and pref; Telecommunicacoes de Sao Paulo (Telesp); Usinas Siderurgicas de Minas Gerais (Usiminas); White Martins ord (49).

A preliminary list of the constituents for FT-AWI Thailand and Brazil Large and Medium-Small Cap indices will be available from NatWest Securities Limited (031-243 4258) and Goldman, Sachs & Co (0101-212 902 6777) on October 25, 1994.

The final list will be available after the changes are effective on November 1 1994.

INTERNATIONAL COMPANIES AND FINANCE

Unease awaits Tokyo SE floats

Privatisations are putting prices under pressure, writes Gerard Baker

History, said Karl Marx, tends to repeat itself twice – the first time as tragedy, the second as farce. Investors in the Tokyo stock market, though improbable candidates to heed those words, are increasingly nervous that shares there may be about to prove the veracity of Marx's theory. The fear is that the market may be about to repeat its precipitous fall of last year, on the back of a substantial increase in equity supply.

Last autumn, the Nikkei index lost more than 20 per cent of its value in a month, following the ill-starred debut on the stock exchange of the privatised railway company JR East. An already nervous market was flooded with Y1,000bn ($10bn) worth of shares from the floated company. The extra supply was too much for a weak market and it collapsed under the weight.

This year, if Marx is right, tragedy could lurk in the form of a pair of companies with the identical acronym JT: Japan Telecom and Japan Tobacco.

The first of the JTs tests the market today, when shares in Japan Telecom start changing hands. Traders yesterday were anxiously awaiting the listing – which represents a cash call of more than Y150bn and is thought by many to be overpriced.

However, next month an even tougher test will be set by the arrival of Japan Tobacco, the privatised tobacco and foods manufacturer. That flotation will drop more than Y900bn on the market.

What worries investors is that between them, the two companies will inject even more equity into the stock market than JR East last year, and that that can have only dire consequences for share prices again this year.

"When you increase supply by that amount into a market where demand is still very weak, you could be in for trouble," says Mr Neil Rogers, equity strategist at UBS Tokyo.

Analysis by Nikko Securities Research suggests that share prices are put under extreme downward pressure when annual equity financing by Tokyo Stock Exchange-listed companies is greater than 15 times the value of average daily turnover.

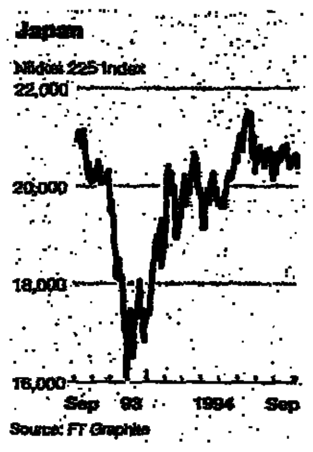
Without the two JTs, the total value of new equity financing for the current year would be about Y4,600bn, with an average daily turnover of about Y250bn to Y300bn.

These figures already suggest a strain on prices. However, the extra injection of funds from the two issues raises the total financing figure to Y5,700bn – substantially more than 15 times trading levels. That may be too much for the market to tolerate.

And there are additional concerns that the prices set for both Telecom and Tobacco are too high. At Y4.7m and Y1.44m per share respectively, most analysts agree the offer prices are well above fair values, and are nervous about the trend among many institutional investors to bid well below those prices in the auctions.

Some analysts, however, are eager to point out important differences between this year's and last year's offerings. They say there are reasons to believe the market may find the JTs more digestible.

For one thing, institutions are much more cautious about the issues this year, and that may itself limit any damage should they not go well.



Source: FT Graphite

Last year, investors were convinced that the JR listing would bolster the wider equity market. As a result, there was heavy futures buying shortly before the listing.

The substantial premium on equity futures encouraged traders to short the futures against the underlying stocks. When the JR stock disappointed, these investors were forced to sell their positions at a loss. This itself added about another Y1,000bn to equity supply.

This time, institutions are less optimistic about the issues, and have not built up the arbitrage postions of last year. "If you look at the big investors' positions this year, you can see that they have been much more cautious than they were before the JR listing," says Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo.

Perhaps the main reason for believing that history may not repeat itself, however, is that Japan's economic fundamentals are in better shape this autumn than last.

The JR East difficulties came at a time of growing unease about the pace of recovery, a sentiment that was exacerbated by the disappointing autumn interim results season. This year, there is more optimism that recovery is broadly-based and that it will be reflected in corporate earnings.

However, there remains a nagging suspicion among traders that a poor performance by the two JTs could swing sentiment firmly against equities again.

The level of individual interest in the Japan Tobacco issue in particular has been high. A big disappointment when the shares begin trading could set back the prospects of a wider return to the equity market by individuals for a long time.

Without that investor confidence, the prospects for the Nikkei are highly uncertain.

NEWS DIGEST

Loss at US business hits Southcorp

By Nikki Tait in Sydney and Laura Tyson in Taipei

Southcorp, the Australian packaging, wine and appliance manufacturer formerly known as SA Brewing, yesterday announced a 2.4 per cent rise, to A$121.2m (US$90.4m), in annual operating profits after tax but before abnormals.

However, after abnormals, profits plunged 58.5 per cent to A$49.8m. The reason was a one-off charge of A$68.7m, mainly related to write-offs and restructuring costs at its troubled US water heater business.

Sales for the year were 1.6 per cent lower at A$2.25bn.

Southcorp said that its packaging, wine and Australian appliance businesses were "very satisfactory".

The wine business performed particularly well, in spite of competition in the domestic market, with sales rising 11 per cent to A$352m, and pre-tax profits jumping 35 per cent to A$62m.

However, the US water heater business incurred a US$18.3m loss, leading to a 20 per cent decline in pre-tax profits from the appliance division.

Santos blames weak prices for decline

Santos, the Adelaide-based energy group which recently bought a one-third interest in the Anglia gas field in the North Sea, reported an 18.2 per cent fall in operating profits after tax and abnormals in the six months to the end of June.

Santos made A$101.3m (US$75.6m), compared with A$123.9m previously, after an abnormal surplus of A$37.6m, against A$33.7m. Sales were A$312.8m, against A$353.3m.

It blamed the downturn in profits on lower world liquids prices and the strengthening of the Australian dollar.

Asset sale lifts North Broken Hill Peko

Lower iron ore and uranium prices and increased expenditure meant that North Broken Hill Peko, the Australian mining and resources group, reported a fall in profits before tax and abnormals to A$201.1m (US$150m), A$11.1m less than in the previous year.

However, due to a A$65.2m abnormal surplus from the sale of non-core businesses and investments, profits after tax and abnormals were up A$52.9m to A$185.3m. Total sales were A$1.13bn, compared with A$1.51bn.

Operating profits from the iron ore business fell to A$129.1m from A$136.1m; uranium was down to A$46.1m from A$75m; and the equipment business fell to A$29.8m against A$30.5m.

However, the gold interest contributed A$21.8m, up from A$4.8m, while the forestry products business, meanwhile, contributed A$51m, against A$50.3m.

Paper group strong

Yuen Foong Yu Paper Manufacturing, Taiwan's leading paper maker, posted net profits of T$860m (US$32.7m) in the year to June 30 against T$449m a year earlier.

● Tatung, the Taiwanese electrical appliance maker, saw after-tax profits in the year to June 30 rise to T$2.88bn from T$1.34bn last time.

First Pacific in talks on bank divestment

First Pacific, the diversified Hong Kong group, is negotiating the divestment of at least 80 per cent of its wholly-owned Californian retail bank, United Savings Bank, to the Salim family, large shareholders in the company, Reuter reports from Hong Kong.

"The planned divestment of a majority interest in United Savings Bank will allow us to continue to re-allocate significant resources to Asia, and in particular to the group's telecommunications activities where investment requirements are substantial," managing director Mr Manuel Pangilinan said.

Cash call from Asian consortium

By William Barnes in Bangkok

Bangkok Expressway, the construction consortium led by Kumagai Gumi of Japan and financed by Thai and foreign banks, is to be floated on the Thai stock market.

The company, which is building an elevated motorway for Bangkok, plans to raise about Bt3.4bn ($136m) by floating 129m new shares, or 25 per cent of the company.

This suggests the initial public offer (IPO) price will be around Bt26 per share. The company has projected return on equity of 16 per cent a year. The IPO will put the shares on a prospective price/earnings ratio of around 35.

Total earnings at the company are forecast to rise from Bt816m in 1993 to Bt2.75bn this year.

The operating cash flow is forecast to grow strongly after this year, when a Bt15.7bn loan repayment is made. Net income is forecast to rise from Bt34m in 1993 to Bt327m this year.

Solid increases in income should be supported when a second arm to the motorway opens in the next few months.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.95	13.21	16.17
0100	9.94	11.02	13.98
0130	9.94	11.02	13.98
0200	9.94	11.02	13.98
0230	9.94	11.02	13.98
0300	9.94	11.02	13.98
0330	9.94	11.02	13.98
0400	9.94	11.02	13.98
0430	9.94	11.02	13.98
0500	9.94	11.02	13.98
0530	9.94	9.90	9.90
0600	9.95	9.90	9.90
0630	11.17	10.60	13.77
0700	13.41	13.45	16.41
0730	17.84	17.17	20.13
0800	19.69	17.08	20.08
0830	21.30	19.57	22.59
0900	21.41	27.97	31.07
0930	21.56	28.35	31.55
1000	21.72	28.59	31.66
1030	21.88	28.75	32.07
1100	22.11	28.86	32.21
1130	23.63	33.78	37.24
1200	30.32	37.60	41.12
1230	38.02	39.38	42.85
1300	29.67	38.83	42.18
1330	20.34	28.26	31.45
1400	21.54	28.10	28.21
1430	19.03	26.01	29.09
1500	18.98	26.01	29.08
1530	18.96	26.03	29.12
1600	18.73	26.20	29.34
1630	19.09	28.14	31.36
1700	19.18	37.70	40.96
1730	33.62	37.49	40.71
1800	18.98	37.08	40.19
1830	18.62	21.36	24.34
1900	18.61	21.28	24.24
1930	18.09	17.17	20.13
2000	18.01	17.17	20.13
2030	35.03	11.44	11.44
2100	35.09	17.17	20.13
2130	29.51	24.60	27.56
2200	17.99	24.60	27.56
2230	17.84	17.17	20.13
2300	16.71	17.02	19.98
2330	16.56	16.61	19.57
2400	13.45	15.98	18.94

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible] becomes [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of such revision and/or correction, no reliance should be placed upon provisional pool prices [illegible]

INTERNATIONAL COMPANIES & CAPITAL MARKETS

MAN truck unit falls into the red

By Kevin Done, Motor Industry Correspondent

MAN Nutzfahrzeuge, the German commercial vehicle maker, fell into loss in its last financial year to the end of June but will return to profit in the current year, according to Mr Rudolf Rupprecht, group chief executive.

The company, a subsidiary of MAN, the German engineering group, suffered a 9.2 per cent fall in production to 32,657 trucks and buses in 1993-94 from 35,948 a year earlier and a record 41,590 in 1991-92.

Turnover fell by 4.6 per cent to DM6.9bn ($4.4bn) from DM7.2bn, and the group next month is expected to disclose a loss of between DM50m and DM100m.

The financial performance of MAN Nutzfahrzeuge, Germany's second largest manufacturer of trucks after Mercedes-Benz, has been undermined by the steep recession in the European truck market.

Pre-tax profits fell to DM60.5m in 1992-93 from DM506m in 1991-92 and net profits to DM31.5m from DM255m.

Mr Rupprecht said demand for commercial vehicles had begun to pick up in recent months, led by higher demand from MAN's European export markets.

The value of the group's order-book at the end of June had fallen marginally to DM2.3bn from DM2.4bn a year earlier, but the volume of new orders had been rising during the first six months of 1994.

In the year to end-June the value of new orders rose by 8.3 per cent to DM6.8bn from DM6.3bn in 1992-93. New orders from foreign markets jumped by 22.6 per cent to DM3.2bn, while those from the domestic market declined by 2.1 per cent to DM3.5bn.

MAN has been forced to restructure during the recession and is cutting 4,500 jobs or around 16 per cent of its workforce. The number of employees fell to 25,463 at the end of June from 28,917 in mid-1992 and another 1,000 jobs are to be cut during the current financial year, said Mr Rupprecht.

Truck sales in Germany are expected to decline further in 1994 by between 5 and 10 per cent, said Mr Rupprecht, but will begin to recover next year. Sales have begun to pick up in other west European markets, however, led by the UK, Scandinavia, France, Spain and the Benelux countries.

Czech and Slovak fund offer to raise $25m

By Vincent Boland in Prague

The Czech and Slovak Investment Corporation, a London-based investment fund managed by merchant bankers Robert Fleming, is to raise $25m in a share and warrant offer to new and existing shareholders to finance further investment in the two countries.

The offer, consisting of up to 340,000 units each including seven new shares and one new warrant, at a price of $73.50 a unit, is underwritten by Fleming and co-managed with S.G. Warburg.

The offer closes on September 21. Current shareholders include the IBM Pension Fund, Robert Fleming, and Confederation Life of Canada.

The fund, set up early last year, has invested $30m in the two countries. More than 90 per cent of the investments are in the Czech Republic.

Mr Leonard Ingrams, the fund's chairman, said the proportion invested in Slovakia may rise, depending on the outcome of the Slovak general election at the end of this month. "Things are happening there that we view positively but it depends on the election," he said.

The fund invests in a mixture of stock market-listed and unlisted shares and in joint ventures between international and local companies.

Its portfolio, currently worth $35m, includes a stake in British Petroleum's recent $23m investment in a petrol retailing network in the Czech Republic.

The BP joint venture is with two investment funds and is aimed at extending the UK group's network of petrol stations in the Czech Republic.

Normandy Poseidon ahead

By Nikki Tait in Sydney

Normandy Poseidon, the Australian mining and resources group which, via its Poseidon Gold subsidiary, is now the country's largest gold producer, has announced profits after tax and abnormal items of A$85.3m (US$63.3m) for the year to end-June. In the previous year it made A$58.2m.

The result was achieved after an abnormal gain of A$34.5m, against A$9.78m in 1992-93.

Operating profit before abnormal items and tax was A$191.5m, against A$180.8m.

Fully-diluted earnings per share, before abnormal items, were static at 9.7 cents.

During the year, Normandy said that there had been a 12 per cent increase in gold production, to 1.3m oz, causing PosGold to post a 9 per cent profits improvement.

UK gilts drift upwards in quiet trading

By Antonia Sharpe and Martin Brice

UK gilts drifted upwards yesterday in quiet futures-led trading, ahead of tomorrow's monthly meeting on monetary policy between the Treasury and the Bank of England.

Economic data showing a slowdown in M0 money supply growth for August and modest consumer credit figures for July had little impact, analysts said.

"The weaker-than-expected M0 figures are a hint that the pace of economic expansion may be easing," said Mr Simon Briscoe, UK economist at S.G. Warburg. He said they were unlikely to lead to a rise in base rates from the current level of 5.25 per cent after Wednesday's meeting.

"The market view is that nothing will happen [on Wednesday], but there will be some degree of market nervousness," said Mr John Shepperd, chief economist at Yamaichi.

There was little change in the yield spread between gilts and German bunds, which remained at about 140 basis points. On Liffe, the December long gilt future fell in early trading to 100¼ from the previous close of 100$\frac{23}{32}$, before recovering to 101$\frac{1}{32}$ in late trading, up ¼ on the day.

■ Bunds started the week in dismal fashion as worries about an early overheating of the German economy prompted an early sell-off. The market is worried that the west gross domestic product data for the second quarter, due on Thursday, could show quarter-on-quarter expansion in excess of 1 per cent, which would bring the yearly growth rate to close to 2 per cent.

GOVERNMENT BONDS

Ms Wendy Niffikeer, senior economist at IBJ International, said that such an acceleration in economic growth would lead to inflationary pressures and would also cause the output gap – the difference between actual and potential growth – to close far earlier in the cycle than expected.

These worries, coupled with concerns about the Bundesbank's large funding programme, are likely to keep a lid on bund prices. On Liffe, the December bund future stood 0.45 points lower at 89.67 in the late afternoon in volume of 75,473 lots, off the day's worst level of 89.38.

■ French government bonds were also weaker amid worries that recent base rate rises by French commercial banks would put pressure on the Bank of France to do likewise. On the Matif, the September notional bond future was down 0.14 points at the day's low of 112.62 late in the afternoon.

■ Elsewhere, the yield on 10-year Spanish government bonds rose 16 basis points to 11.17 per cent. Mr Simon Meggs of UBS said the movement was driven by worries about the continuing negotiations over the government's budget, and performances were similar along the yield curve.

"It was a rocky ride today and the market may get jittery if there is no firm news this week," he said. He added that investors were also concerned at the possibility of Spain being left out of the core of a multi-speed Europe.

Meanwhile, the yield on the 10-year Italian government bond rose 3 basis points to close at 12.06 per cent, moving in line with markets elsewhere.

Abbey National launches L250bn three-year deal

By Graham Bowley

The eurobond market saw few new issues yesterday with the US, Canada and Luxembourg closed for holidays. However, issuance is expected to pick up over the next few days with both Pearson and the City of Yokohama expected to launch offerings.

INTERNATIONAL BONDS

Pearson, the media and entertainment group which owns the Financial Times, is expected to come to the euro-sterling market with a 10-year offering, which syndicate managers expect to amount to about £100m.

The City of Yokohama is also rumoured to be considering a 10-year fixed-rate eurodollar offering of around $300m, lead-managed by Bank of Tokyo Capital Markets.

Abbey National Treasury Services launched a L250bn offering of three-year bonds with a coupon of 11.5 per cent, lead-managed by Swiss Bank Corporation.

Syndicate managers said that the bonds were fairly priced, although they said that they were surprised by the relatively large size of the issue, especially with the Luxembourg market closed. Many recent eurolira issues have been placed with Luxembourg investors.

"There is much debate about whether the lira market is saturated, especially in the three-year area, but we are seeing no evidence of that," said one syndicate manager.

Compagnie Ge'ne'rale des Eaux tapped the D-Mark sector with a DM300m offering of five-year bonds priced to yield 45 basis points over the five-year 6¼ per cent German government bond.

Around one-quarter of the bonds were placed with French institutions and a large part of the remainder will be targeted at retail investors in Switzerland, Belgium and Luxembourg, according to the lead manager Credit Commercial de France.

The D-Mark market currently offers favourable swap opportunities, particularly in the four- to five-year area, syndicate managers said. The proceeds from the offering were believed to have been swapped back into French francs.

The market also digested the announcement on Friday by the World Bank that it plans to launch a global fixed-rate dollar bond issue later this month, expected to be about $1.5bn.

The timing of the launch and the maturity of the issue would be determined in light of market circumstances in the coming weeks, the World Bank said.

The market expects the offering to have a life of five or 10 years. The deal will be lead-managed by Lehman Brothers and UBS.

"There is a continuing demand for high quality dollar paper, which this certainly is, and we expect this deal to go well," said one syndicate manager.

Previous recent global offerings have struggled to find buyers outside the US. "It will be interesting to see how much is placed outside the US, whether there is now a broader interest, particular from Asian investors, in the dollar bonds," said one syndicate manager.

Telekom Malaysia is rumoured to be assessing demand for a $300m to $500m 10-year convertible eurobond offering.

The issue will be the first by a Malaysian company which is rated by Standard & Poor's and Moody's Investors Service.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
ICTS(a)§	60	(4½-5)	100.00	Sep.2001	2.50	-	Jardine Fleming
D-MARKS							
Compagnie Générale des Eaux	300	7.25	99.98R	Oct.1999	0.30R	+45(6¼%-99)	BHF-Bank/ CCF Frankfurt
Deutsche Bau & Bodenbank‡	100	(b)	99.85	Oct.1999	0.20	-	Westdeutsche Landesbank
ITALIAN LIRE							
Abbey Natl.Treasury Services	250bn	11.50	101.055	Oct.1997	1.375	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) International Container Terminal Services. Pricing: approx 7/9/94. Indicated conversion premium: 5-10%. Callable after 3 yrs, subject to 140% hurdle, at 104% falling 1%pa to par. b) 6-mth Libor +$\frac{1}{16}$%.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.6800	-0.500	9.52	9.33	9.49
Belgium		7.250	04/04	91.6500	-0.450	8.55	8.37	7.97
Canada *		6.500	06/04	-	-	-	8.65	9.03
Denmark		7.000	12/04	86.8700	-1.060	9.01	8.75	8.22
France	BTAN	8.000	05/98	102.2500	-	7.34	7.17	6.81
	OAT	5.500	04/04	83.8500	-0.340	7.96	7.76	7.38
Germany Bund		6.750	05/04	95.5600	-0.340	7.40	7.19	6.89
Italy		8.500	04/04	80.9400	-0.530	11.89†	11.57	10.57
Japan	No 119	4.800	06/99	102.9930	+0.170	4.05	4.05	3.93
		4.100	12/03	96.1830	+0.220	4.69	4.71	4.63
Netherlands		5.750	01/04	89.1600	-0.240	7.39	7.25	6.96
Spain		8.000	05/04	81.6400	-0.720	11.18	10.86	10.30
UK Gilts		6.000	08/99	90-18	-	8.37	8.32	8.14
		6.750	11/04	87-20	+1/32	8.59	8.53	8.35
		9.000	10/08	103-30	+3/32	8.51	8.47	8.42
US Treasury *		7.250	08/04	100-09	-	-	7.22	7.27
		7.500	11/24	100-01	-	-	7.48	7.53
ECU (French Govt)		6.000	04/04	84.0000	-0.600	8.49	8.31	7.87

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm (Sep 2) — Treasury Bills and Bond Yields

		One month	4.82	Two year	6.15
Prime rate	7¾	Two month	4.71	Three year	6.43
Broker loan rate	6½	Three month	4.65	Five year	6.81
Fed funds	4$\frac{11}{16}$	Six month	5.03	10-year	7.20
Fed funds at intervention	-	One year	5.53	30-year	7.49

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	112.86	112.76	-0.66	113.00	112.54	105,480	83,674
Dec	112.00	111.82	-0.68	112.00	111.60	22,198	53,852
Mar	111.36	111.20	-0.66	111.36	111.22	7	4,095

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
113	0.57	1.34	-	1.27	2.05	-
114	0.28	0.90	-	1.80	2.60	-
115	0.13	0.65	-	-	3.07	-
116	-	0.38	-	-	-	-
117	0.01	0.20	0.51	-	4.46	-

Est. vol. total, Calls 6,046 Puts 21,654 . Previous day's open int., Calls 185,881 Puts 256,852.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.92	90.70	-0.24	90.94	90.39	74545	68261
Dec	90.10	89.72	-0.40	90.11	89.38	75508	77168
Mar	-	89.17	-0.40	-	-	0	1093

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
8950	0.76	1.16	1.41	1.60	0.54	0.94	1.19	1.93
9000	0.50	0.90	1.13	1.38	0.78	1.18	1.41	2.19
9050	0.30	0.67	0.89	1.16	1.08	1.45	1.67	2.49

Est. vol. total, Calls 4839 Puts 8626. Previous day's open int., Calls 146061 Puts 146026

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	98.73	-0.07	-	-	0	78

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.90	99.15	-0.31	99.25	98.50	22053	20301
Dec	97.00	97.50	-0.05	97.55	96.80	23630	52724
Mar	-	95.20	-0.05	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9750	2.57	1.63	2.57	3.93
9800	2.30	1.46	2.80	4.26
9850	2.05	1.30	3.05	4.60

Est. vol. total, Calls 818 Puts 354. Previous day's open int., Calls 5869 Puts 6161

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	87.04	87.07	-0.75	87.10	86.65	40,904	96,157
Dec	85.70	85.79	-0.98	85.86	85.54	3,773	24,538

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101-07	101-21	0-04	101-18	100-28	2787	33630
Dec	100-20	101-00	0-03	101-01	100-06	32371	86100
Mar	-	100-12	0-03	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
101	2-08	2-46	2-08	3-22
102	1-40	2-19	2-40	3-59
103	1-14	1-59	3-14	4-35

Est. vol. total, Calls 1457 Puts 4760. Previous day's open int., Calls 13831 Puts 14295

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.22	81.04	-0.56	81.30	81.02	1,397	5,187
Dec	80.70	80.54	-0.56	80.72	80.50	329	3,485

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	103-20	103-04	-0-15	104-16	103-03	43,967	192,468
Dec	102-27	102-09	-0-16	103-25	102-08	232,700	245,672
Mar	102-13	101-18	-0-17	103-02	101-18	775	7,210

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	108.13	-	-	108.21	108.10	135	0
Dec	107.16	-	-	107.21	107.10	1278	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Sep 5	Day's change %	Fri Sep 2	Accrued interest	xd adj. ytd		Low coupon yield Sep 5	Sep 2	Yr. ago	Medium coupon yield Sep 5	Sep 2	Yr. ago	High coupon yield Sep 5	Sep 2	Yr. ago
1 Up to 5 years (24)	119.98	-0.12	120.12	1.48	8.01	5 yrs	8.47	8.42	6.35	8.57	8.54	6.49	8.69	8.66	6.68
2 5-15 years (21)	139.53	-0.08	139.64	2.14	8.82	15 yrs	8.52	8.49	7.07	8.63	8.62	7.21	8.88	8.88	7.46
3 Over 15 years (9)	154.80	-0.08	154.92	1.01	9.81	20 yrs	8.47	8.45	7.22	8.63	8.62	7.31	8.74	8.73	7.49
4 Irredeemables (6)	177.10	-0.32	177.6	2.42	8.83	Irred.†	8.56	8.53	7.44						
5 All stocks (60)	136.69	-0.10	136.83	1.73	8.79										

Index-linked	Mon Sep 5	Day's change %	Fri Sep 2	Accrued interest	xd adj. ytd		Inflation 5% Sep 5	Sep 2	Yr. ago	Inflation 10% Sep 5	Sep 2	Yr. ago
6 Up to 5 years (2)	185.67	-0.03	185.73	0.73	3.95	Up to 5 yrs	3.74	3.72	2.61	2.67	2.65	1.74
7 Over 5 years (11)	174.44		174.43	0.92	3.46	Over 5 yrs	3.76	3.76	3.23	3.58	3.58	3.05
8 All stocks (13)	174.73		174.73	0.90	3.49							

Debentures and Loans	Mon Sep 5	Day's change %	Fri Sep 2	Accrued interest	xd adj. ytd	5 year yield Sep 5	Sep 2	Yr. ago	15 year yield Sep 5	Sep 2	Yr. ago	25 year yield Sep 5	Sep 2	Yr. ago
9 Debs & Loans (75)	127.71	-0.40	128.44	2.30	7.61	9.67	9.60	7.70	9.61	9.55	8.10	9.55	9.50	8.25

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 5	Sep 2	Sep 1	Aug 31	Aug 30	Yr ago	High*	Low*
Govt. Secs. (UK)	91.59	91.71	92.10	91.98	91.74	101.85	107.04	90.99
Fixed Interest	109.02	110.09	109.90	109.89	109.84	124.14	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 2	Sep 1	Aug 31	Aug 30	Aug 26
Gilt Edged bargains	121.7	84.1	84.3	82.1	76.7
5-day average	89.8	80.6	78.6	77.3	77.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 5

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92	92⅜	-⅛	7.79
Alberta Province 7⅝ 98	1000	101⅞	102⅛		7.08
Austria 8½ 00	400	105½	105⅞	-⅛	7.22
Bank of Tokyo 8⅜ 96	100	102⅝	103		6.69
Belgium 5½ 03	1000	85¾	86	-⅛	7.72
BFCE 7¾ 97	180	102¼	102¾		6.71
British Gas 0 21	1500	10⅞	11⅛		8.51
Canada 9 96	1000	103¾	104		6.22
Cheung Kong Fin 5½ 98	500	90¾	91¼	+⅛	8.28
China 6½ 04	1000	88½	89		8.45
Council Europe 8 98	100	102⅝	103⅛	+⅛	6.49
Credit Foncier 9½ 99	300	108¾	109⅛		7.12
Denmark 5¾ 98	1000	97	97¼		6.73
East Japan Railway 6⅝ 04	600	92⅛	92⅜	-⅛	7.82
ECSC 8¼ 96	193	103¼	103¾		6.62
EEC 8¼ 96	100	102⅞	103¼		6.47
EIB 7¾ 96	250	102¼	102¾		6.40
EIB 9¼ 97	1000	107	107¼		6.73
Elec de France 9 98	200	106	106½	+⅛	7.00
Eurofima 9¼ 96	100	104	104⅜		6.36
Ex-Im Bank Japan 8 02	500	102⅝	103	-⅛	7.53
Export Dev Corp 9½ 98	150	107⅞	108⅜	-⅛	7.08
Federal Natl Mort 7.40 04	1500	99½	99¾	-⅛	7.61
Finland 6¾ 97	3000	99⅞	100⅛	-⅛	6.90
Finnish Export 9⅞ 95	200	103⅜	103⅝		6.19
Ford Motor Credit 6¼ 98	1500	97½	97⅞		7.20
Gen Elec Capital 9⅜ 96	300	104⅝	105		6.47
GMAC 9⅛ 96	200	103¼	103¾		6.75
Ind Bk Japan Fin 7⅞ 97	200	101½	102⅛	-⅛	7.20
Inter Amer Dev 7⅛ 96	200	102⅛	102½		6.46
Italy 6⅞ 23	3500	82¼	82⅝	-⅛	8.72
Japan Dev Bk 8⅜ 01	500	104¾	105		7.41
Kansai Elec Pwr 10 96	350	106⅛	106½		6.41
Korea Elec Power 6⅜ 03	1350	87⅛	87⅝	-⅛	8.58
LTCB Fin 8 97	200	101⅞	102½		7.08
Matsushita Elec 7¼ 02	1000	97⅝	98⅛		7.76
Norway 7¼ 97	1000	101½	101¾		6.58
Ontario 7⅜ 03	3000	98	98⅛	-⅛	7.65
Oster Kontrollbank 8½ 01	200	105⅝	105⅞		7.37
Petro-Canada 7¼ 96	200	101⅛	101⅝		6.60
Portugal 5¾ 03	1000	87¼	87½		7.68
Quebec Hydro 9¾ 98	150	107¾	108¼	-⅛	7.46
Quebec Prov 9 98	200	104⅞	105⅜		7.38
Sainsbury 9⅛ 96	150	104¼	104⅞		6.78
SAS 10 99	200	107	107⅞		8.05
SNCF 9½ 98	150	108	108¾		7.06
Spain 6½ 99	1500	97¼	97½	-⅛	7.18
State Bk NSW 8½ 96	200	103⅛	103½		6.60
Sweden 5½ 95	2500	99¼	99½		6.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

US activities advance 50% on lower crude prices and synthetic sales

Burmah Castrol rises 16%

By Andrew Bolger

Burmah Castrol, the lubricants, chemicals and fuels group, increased interim pre-tax profits by 16 per cent but said it would be unable to repeat in the second half an exceptional performance by Castrol in the US.

Pre-tax profits from £89.5m to £103.8m in the six months to June 30, and attributable profits climbed 15 per cent to £50.5m (£44m). The shares closed 14p lower at 891p.

Mr Jonathan Fry, chief executive, said Castrol's US profits had risen by 50 per cent, thanks to increased sales, the move into profit of the new synthetic lubricant, Syntec, and a fall in the price of crude oil at the start of the period which had now been reversed.

In lubricants as a whole, trading profits rose 24 per cent to £86.6m (£70m). In Asia, there were strong performances from India, Japan, Thailand and Vietnam, while Australasia benefited from economic recovery.

In Europe, although the industrial market showed some pick up, consumer demand remained subdued, notably in Germany, the UK and France. Latin America suffered from "chaotic" trading conditions in Brazil.

Chemicals also increased trading profits by 24 per cent, to £22.1m (£17.8m). Profits from Foseco Metallurgical Chemicals bounced back by 85 per cent, mainly because of the restructuring and rationalisation which has been completed in Europe and North America.

The group said Sericol Printing Inks continued to power ahead, and adhesives also had a good first half. Coatings had a poor first quarter, although the second quarter was stronger. Fosroc Construction and Mining Chemicals suffered from difficult trading in Europe and a softening in key Middle Eastern markets.

In fuels, trading profits fell to £8.5m from £13.5m. Competitive markets in the UK and Sweden combined with economic turmoil in Turkey to drive down volumes and profits. LNG Transportation was also down, to £3.2m from £7m, mainly because the previous period benefited from the inclusion of a provision release of £3.5m.

Mr Lawrence Urquhart, chairman, said the group intended to pay up to a third of the year's total dividend as a Foreign Income Dividend, which would reduce the group's ongoing surplus Advance Corporation Tax problem. It declared an interim dividend of 10p, compared with 16.5p. Last year's payment had been increased in case the use of an enhanced scrip dividend was blocked by the Budget.

Earnings per share increased by only 9.4 per cent, to 25.6p (23.4p), because of the greater number of shares in issue following last year's enhanced scrip scheme and the £32m acquisition of Tribol, a US lubricants specialist.

See Lex

Trevor Humphries

From left to right, Lawrence Urquhart, Jonathan Fry and Brian Hardy, finance director: do not expect to repeat US performance

Growth in US helps Haynes to £5m

By Caroline Southey

A strong performance by the US operations of Haynes Publishing Group, the car and motor cycle maintenance manual company, helped lift annual pre-tax profits by 27 per cent to £5.04m.

Turnover moved ahead to £25.7m (£22.8m) in the year to May 31, with US sales up 23 per cent at £12.9m (£10.5m) and UK sales up 5 per cent at £12.8m (£12.2m).

"As in recent years, much of our growth is expected to come from the US," Mr John Haynes, chairman, said. But, he added, the board had achieved its objective of returning the UK operations to their former levels of profit.

Pre-tax profits for the UK rose by 23 per cent to £1.6m (£1.3m). This included a write-off of £223,000 largely caused by the closure of the contract printing business. Operating profits for the UK stood at £2.3m (£2m).

Mr Haynes said an improvement in new titles had helped reduce publishing losses and additional products were being considered. The replacement of old machinery would mean an improvement in UK capacity.

The US operation saw pre-tax profits grow by 32 per cent to £3.3m (£2.5m). Operating profits moved ahead from £3m to £4m. The company now has book manufacturing facilities on both sides of the Atlantic following the opening of a print facility in Nashville in November.

Despite Mr Haynes' concern about expected rises in raw material prices – they account for 50 per cent of product costs – Mr Max Pearce, group chief executive, was confident the current year's profitability would not be affected.

A final dividend of 5p (3p) has been recommended, making a total of 9p (6.5p) on earnings per share 12 per cent ahead at 19.6p (17.53p). Last year's dividend and earnings per share have been restated for November's 1 for 2 scrip issue.

The shares rose 12p to 450p.

Paper price rises put Bunzl up 26% at £33m

By Peggy Hollinger

Bunzl, the distribution and cigarette filter company, yesterday wrapped up its first half with the promise of an increased final pay-out and a 26 per cent jump in pre-tax profits, excluding goodwill write-offs, to £32.8m.

The profits rise was due in part to long-awaited price rises in the depressed paper industry, on which Bunzl depends for more than 70 per cent of its earnings.

Mr Tony Habgood, chief executive, said paper prices had risen by 1 percentage point, against a 2-point fall previously. They were expected to improve further in the second half, he added.

Although acquisitions also helped the return, he said Bunzl had still achieved underlying profits growth of between 11 and 12 per cent.

Margins in continuing operations rose from 4.6 to 5.1 per cent.

Given the strong performance, "we expect to be able to increase the final dividend," Mr Habgood said. The interim was held at 1.8p, as foreshadowed last year, to adjust the balance between first and second half payouts.

During the first half, Bunzl sold its building products business for £61m. The disposal resulted in a net goodwill write-off of £35m which must be taken through the profit and loss account.

Although this has no cash effect, it left Bunzl with a £2.2m interim pre-tax loss, against profits of £26m last time. Sales were 11 per cent higher for the six months to June 30 at £809.7m.

Of the group's four core businesses, cigarette filters and fine paper returned the strongest growth.

Fine paper, which has seen prices fall by as much as 38 per cent in the last three years, benefited from the general upturn and the withdrawal from Sicily. Profits rose by 31 per cent to £6.4m.

Mr Habgood said the growing market for lower tar cigarettes had helped Bunzl's filter business return a 31 per cent increase in operating profits to £7.2m.

Paper and plastic disposables enjoyed 18 per cent profit growth to £19.7m. Plastic products also returned an 18 per cent rise to £5.9m.

The loss per share was 3.5p, against a 3.9p profit last time. Excluding the goodwill write-off, earnings advanced 21 per cent to 4.7p.

● **COMMENT**

Tony Habgood appears to have confounded the sceptics who criticised his strategy just two years ago as a misguided focus on mature markets. The rewards are undoubtedly rolling in. So far, they have been down to management's herculean restructuring efforts. Now, with little left to achieve on that front, the upturn in the paper cycle will do its bit for Bunzl. If Habgood is not to be caught out, however, he needs to look ahead to the next downturn. With the paper cycle expected to peak in 1997, Bunzl may have to find a sizeable acquisition to keep up the momentum. Forecasts are for about £71m this year, putting the shares on a prospective p/e of about 15.5 times. This looks just about right for a solidly managed company.

Exceptional gain helps Peter Black rise to £12.4m

By David Blackwell

An exceptional gain of £1.1m on the disposal of its Factory Shops business helped to lift annual profits at Peter Black, supplier of footwear, cosmetics and accessories to Marks and Spencer, by more than 36 per cent.

Pre-tax profits for the year to June 4 rose from £9.1m to £12.4m on sales 8 per cent ahead at £124.8m, compared with £114.9m.

Mr Gordon Black, joint chairman, said the sale of the retail and leisure businesses had left the group both focused and ungeared. That, coupled with its cash generating ability, would allow it to remain at the forefront of the personal care and footwear industries, where there were clear prospects for organic growth.

Operating profit from continuing operations improved from £9.16m to £10.8m on turnover of £117.1m (£105.5m). Margins improved from 8 to 9 per cent.

The personal care division lifted profits to £5.4m (£4.4m) on the back of a rise in turnover from £40.9m to £44.7m in markets described by Mr Black as "vibrant".

English Grains, which supplies vitamins, dietary supplements and natural medicines to multiple outlets and chemists, had a record year.

Mr Black said the group was constrained by lack of capacity in this market – a situation that would change in 12 months' time when its new £10m factory opens in Derbyshire.

Profits at the footwear and accessories division increased from £3.7m to £4.6m on sales of £67.2m (£60.6m). The group is confident that it can increase sales to M&S, which has a relatively low share of the footwear market.

Turnover from the group's discontinued retail and leisure operations was £7.74m (£9.4m), with operating profits of £757,000 (£698,000).

The profit from the disposal of the Hornsea Freeport retail and leisure division, sold after the year-end, will be in next year's accounts.

Earnings per share increased to 15.56p (11.18p) and the recommended final dividend is lifted from 2.77p to 3.35p, giving a total for the year of 4.47p (3.7p).

Analysts are expecting profits for this year to be just above £12m, giving the group a prospective p/e of 19.

Flat demand balks British Vita

By Tim Burt

Shares in British Vita fell 11p to 259p yesterday after the foam and fibre group said it had been hit by pricing pressures and flat demand in important markets.

Although the group saw first-half pre-tax profits rise 46 per cent to £23.71m (£16.26m), it admitted that the figures were flattered by sizeable losses last time which disguised a more modest increase in operating profits.

"We are not seeing the kind of recovery that manufacturers of capital goods are enjoying," said Mr Rod Sellers, chief executive.

At the operating level, profits on continuing operations were almost unchanged at £21.39m (£20.08m) and Mr Sellers warned that the company's main markets were static or improving only slowly.

Overall operating profits showed a healthier near £4m improvement, as the group benefited from the disposal last year of its debt-burdened Spanish subsidiaries – Icoa and Metzeler Laminados – which lost £2.62m last time.

Without contributions from the two subsidiaries, turnover fell back to £388m (£404.4m), but their disposal helped lift pre-tax profits, with £550,000 of interest receivable, against payments of £99,000.

"We've got rid of the problem businesses and although our markets are not booming we've seen a small upturn in all our divisions," said Mr Sellers.

That improvement was helped by last year's rationalisation programme, which saw the workforce cut by 5 per cent to 12,800 and costs adjusted to meet lower demand.

Of the group's three divisions, cellular polymers – the largest – saw profits increase 8.6 per cent to £13.85m (£12.78m).

The industrial polymers operation saw profits rise from £2.38m to £2.65m, and the fibres and fabrics division moved ahead 7.5 per cent to £3.69m (£3.43m).

While welcoming the figures, Mr Sellers said recent trading had been quiet and it was unrealistic to expect a rapid increase in demand.

Nevertheless, earnings per share rose 25 per cent to 7p (5.6p), after adjusting the 1993 figure by adding back the loss on the disposal of discontinued operations.

An interim dividend of 3.75p (3.65p) has been declared.

● **COMMENT**

British Vita is refreshingly candid about its prospects. It admits that its figures are fairly limp even after shedding the excess baggage which slowed it down during the worst of the recession. But the performance is not bad, given the margin pressures and increased raw material prices. To see any acceleration, it really needs to use its £32.5m reserves to make a cash-generative acquisition that would also boost market share. If it did that, then profits could exceed the £47m forecast for this year and make the shares – which reached 309p in April – worth considering on a forward multiple of 18.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ASW ...int	3	Nov 4	3	-	6
Bletchley Motor ...int	5.375†	Oct 13	4.75	-	9.85
Black (Peter) ...fin	3.35	Oct 24	2.77	4.47	3.7
British Vita ...int	3.75	Nov 7	3.65	-	7.4
Bunzl ...int	1.8†	Jan 3	1.8	-	4.1
Burmah Castrol ...int	10	Jan 6	16.5	-	27.5
Calderburn ...int	2.9†	Oct 31	2.8	-	7.7
Cantors ...fin	3	Nov 10	3	4	4
Computer People ...int	1†	Nov 15	nil	-	1.5
Copymore § ...int	2.6	Sep 29	2.5	-	4
Edinburgh Inc Tr ...int	1☧	Oct 20	1	-	4
Expamet ...int	1.35	Nov 17	1.25	-	2.5
Haynes Publish ...fin	5	Nov 3	3*	9	5.3
Heywood Williams ...int	5†	Oct 27	4.5	-	13
JIB ...int	2.5†	Nov 14	2.5	-	7.5
Pentland ...int	1.25	Nov 1	1.16	-	2.8
Plasmec § ...int	1.5	Nov 3	0.75	-	3
RPS § ...int	1.3	Oct 26	1.1	-	2.4
Suter ...int	3.5†	Nov 21	3.4	-	9.2
Wilson Bowden ...int	2.85†	Nov 8	2.85	-	9.3

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for a scrip issue. ☧ First quarterly dividend for year.

Asia Pacific side behind 17% JIB rise

By Christopher Price

A strong performance from its Asia Pacific operations helped JIB Group, the insurance broker in which Jardine Matheson has a majority stake, turn in a 17 per cent increase in half-year pre-tax profits from £11.7m to £13.7m.

Turnover grew 7 per cent to £114.6m (£107.4m), while earnings per share were unchanged at 6.4p, as was the dividend of 2.5p.

Turnover in the Asia-Pacific region rose 19 per cent to £19.7m as the company reaped the benefit of opening new offices in South Korea and India and reorganising its operations in the Philippines.

Mr John Barton, chief executive, said that JIB was looking to further expand its Far Eastern operations to benefit from the region's burgeoning economies. "We will be building on our successes in our Asian Pacific insurance operations and overseas reinsurance business," he said.

He added that the company had been surprised by the toughness of the UK insurance market. Turnover here grew by just 9 per cent in the first half to £46.1m (£42.2m), with margins coming under pressure as brokers reacted to strong competitive pressures by reducing rates, particularly in the marine market.

JIB's US operations also performed in competitive conditions, with Mr Barton blaming difficulties in the Lloyd's market as part of the reason for an increase in business remaining in the US. He added that the business was undergoing some restructuring.

London was also a difficult market for the reinsurance business, with reduced demand dampening prices required for reinsurance cover. However, JIB was boosted by a good performance from its overseas reinsurance division.

Canadians buy holding in Trio

By Antonia Sharpe

Regent Pacific Group, an international financial services group which is majority-owned by Altamira Management of Toronto, said yesterday it had bought 9.1 per cent of the share capital of Trio Holdings, the UK money and securities broker.

"We are keeping an open mind about further investment," said Ms Jayne Sutcliffe, a director of Regent Pacific in charge of corporate finance. She noted that although Regent had invested in UK investment trusts in the past, this was its first entry as a significant shareholder into an operating financial services company.

She said the purchase reflected Regent's view that the UK's financial services sector had good growth prospects. Trio represented a geared play on the sector since its restructuring last year had improved its potential, she added.

Mr David Hagan, Trio's chairman, said he was pleased that another institution had decided to take a material stake in the company. Fidelity is thought to be Trio's largest single shareholder with a stake of about 11 per cent, followed by Warburg Pincus with about 10 per cent.

Ms Sutcliffe said the 5.08m shares in Trio were acquired in the market towards the end of last week, when the shares traded between 28p and 30p. This would put a price tag of some £1.5m on the stake. Trio's share price closed at 34p yesterday, up 2p from Friday.

Lloyd's attracts US insurer

By Christopher Price

Medical Insurance Exchange of California, a professional liability insurer, has become the latest organisation to take advantage of the drive by Lloyd's of London to attract corporate investors.

The US group will begin contributing its corporate capacity to the Lloyd's market for 1995, and is expected to write premium income of about £5m.

It will allocate its capacity to specialist medical malpractices syndicates. Stace Barr has been appointed as MIE's Lloyd's adviser.

Lloyd's currently has 25 corporate member groups, the first to be allowed since the insurance market changed its rules a year ago in a radical move to allow investors to take advantage of limited liability.

The new protected members have been backed by institutional and private money and have been able to contribute £1.6bn in capacity for the 1994 underwriting year.

NEWS IN BRIEF

BELL COURT Fund Management is to buy Waverley Unit Trust Management for 300,000 new ordinary shares

BRIDGEND GROUP is selling SA St Gery to High Street Holdings for BFr30m (£600,000) cash. SA St Gery owns a long leasehold interest in the Halles St Gery, a property situated in the centre of Brussels. In addition to the disposal proceeds, Bridgend will receive 12.5 per cent of the expected total rental of the building.

BRITISH DATA Management has acquired Stelstor Systems for a maximum consideration of £605,000. Stelstor, a supplier of shelving and storage systems, made pre-tax profits of £311,000 on £2.4m turnover in year to May 31 1993.

BURFORD HOLDINGS has sold Gillingham Business Park and an office building in Mayfair to Grosvenor (Mayfair) Estates for £14.8m cash.

CAPITAL & REGIONAL Properties has acquired Humberstone House, Leicester, for £1.63m from Scottish Life.

STANDARD CHARTERED, the UK-based international bank, has reached an agreement to sell personal banking operations in Canada – comprising the deposits and loans of two branches – to Bank of Montreal.

ASW maintains interim despite fall to £700,000

By Andrew Baxter

ASW Holdings, the Cardiff-based steel products and construction systems group, is maintaining its interim dividend of 3p a share in spite of a sharp fall in first-half pre-tax profits from £1.5m to £700,000.

The decision is based on the expectation that trading conditions will continue to improve following a much better second quarter in the company's main steel business.

The company is also expecting the benefits from its investment and cost-cutting programmes to come through.

Total turnover edged up from £230.5m to £237m, but profits from continuing operations, excluding restructuring costs, fell from £5.2m to £3.4m.

The steel side suffered a slide in profits from £7m to £4.1m. A loss of £100,000 in the first quarter reflected the continuation of the poor trading conditions experienced at the end of last year, but the second quarter brought a significant recovery in selling prices and margins.

Prices continued firm and demand remained satisfactory, ASW said yesterday.

An £11m-£12m upgrade of the Cardiff bar and section mill has been carried out, which ASW said would achieve substantial cost reductions when it came into full operation next year. Meanwhile, as a result of this and other restructuring to be undertaken in the second half, there would be exceptional restructuring costs estimated at £3.5m this year, due mainly to redundancies. Some £600,000 of this was incurred in the first half.

The construction systems business showed some improvement, helped by the restructuring carried out at the end of last year, reducing its first-half loss from £1.8m to £700,000. The company reiterated that the business would be profitable in the second half.

The group's net borrowings stood at £43.4m on June 30, only slightly up from £42.8m a year earlier despite a rise in capital spending from £3.4m to £10.2m.

Net profit rose from £700,000 to £1.6m following the release of an earlier provision related to the tax treatment of the takeover of Manchester Steel in 1985. A favourable agreement with the Inland Revenue was reached early this year.

After payment of preference and ordinary dividends, the retained loss for the period was reduced from £2m a year earlier to £1.1m. Basic earnings per share were 1.8p (0.0p).

Suter at £12m as Wilkes integration continues

By Andrew Bolger

Suter, the industrial conglomerate chaired by Mr David Abell, said it was proceeding well with the integration of Wilkes, the Sheffield engineering group it acquired full control of in May.

Suter's pre-tax profits were £12m in the six months to July 2, compared with £29.6m which included a £19.1m disposal gain. The group said a better guide to underlying performance was profits before tax and exceptionals, up 14 per cent from £10.5m to £12m. Sales rose 11 per cent to £110.1m. Savings of more than £1m have been achieved at Wilkes, and Mr Abell is seeking closer integration of Avon Transmissions with the group's existing Mitchell Cotts Remanufacturing business.

The group intends to concentrate on completing the integration of Wilkes, continuing its capital expenditure programme and pursuing additional opportunities to enhance core activities. Negotiations are continuing for the sale of substantial property assets and certain non-core subsidiaries.

Suter's refrigeration business increased operating profits from £2.2m to £2.7m. The UK and continental European markets had been depressed, but business had picked up strongly in South Africa.

Trading profits from the chemicals businesses fell from £4.2m to £3.6m. Speciality chemicals businesses performed well, but fine chemicals suffered from pricing pressure.

The group's automotive and engineering businesses performed well, raising operating profits from £2.3m to £3.6m. The exception was Floform, acquired from Wilkes, which had disappointing volumes in the first half, but this has been addressed. Consumer products increased operating profits from £400,000 to £700,000.

Mr Abell said: "If we can - as I believe - expect a period of steady economic growth with low inflation in the UK, our confidence in it as a healthy location for our main manufacturing operations is justified."

Stripping out gains from property, analysts expect full-year profits of about £22m, which puts the shares - down 11p yesterday at 198p - on a prospective multiple of nearly 16. Earnings per share were 6.6p, compared with 6.3p before exceptionals, an increase of 4.8 per cent. The interim dividend rose to 3.5p (3.4p).

Plasmec recovers to £352,000

Pre-tax profits at Plasmec, the electronic and electrical equipment manufacturer, made a sharp recovery for the six months to June 30 to £352,000 against a loss of £237,000.

Turnover was up from £5.96m to £7.23m, boosting operating profits to £642,000.

The USM-quoted company doubled the interim dividend to 1.5p. Earnings per share were 4.8p (3.6p losses).

Britannia Building Society 64% rise

By Alison Smith

Britannia Building Society, the UK's ninth largest, yesterday reported a 64 per cent increase in first half pre-tax profits, from £28.5m to £46.8m.

Mortgage lenders across the sector have benefited from falls in provisions for bad and doubtful debts; Britannia also attributed the rise to better management of interest margins and an increase in non-interest income.

Net interest receivable for the six months to June 30 rose to £88.2m – some 16 per cent higher than in the first half of last year. Other income and charges, including those from insurance sales, rose by £2.9m to £27.2m (£24.1m).

The society's estate agency subsidiary is just below break-even point.

Provisions for bad and doubtful debts fell 22 per cent to £17m (£21.8m) – less than the falls experienced by some other societies.

Mr Trevor Bayley, finance director, said that Britannia's provisions had not had as far to fall as those of some societies, and that it had also taken a relatively cautious view of property prices.

The society's administrative expenses rose to £51.6m (£49.9m), part of which was attributable to the cost of closing 25 branches earlier this year. Mr Bayley said that this closure programme, which leaves the society with 201 branches, was now broadly complete. Group assets rose by about 2 per cent to total £13.4bn.

Mr Bayley said that historically the society's interest margins had been slim for the sector, but that this had been improving over the last 18 months.

One example of this had been the society's very selective approach to the prices at which it was prepared to offer fixed-rate mortgages. At 7.75 per cent, its standard variable rate is just over 0.1 percentage point above the lowest headline variable rates offered by any of the 10 largest societies.

New issues machine back in gear

Institutional mood towards flotations is changing. Simon Davies reports

After a summer of discontent for the city's vast new issues machine, which almost ground to a halt in the face of institutional hostility, recovering share prices have cranked up the machine once more.

The Stock Exchange estimates that it has between 40 and 50 companies currently in its new issues pipeline. A further 25 have made initial approaches, which could be translated into flotations by the year-end.

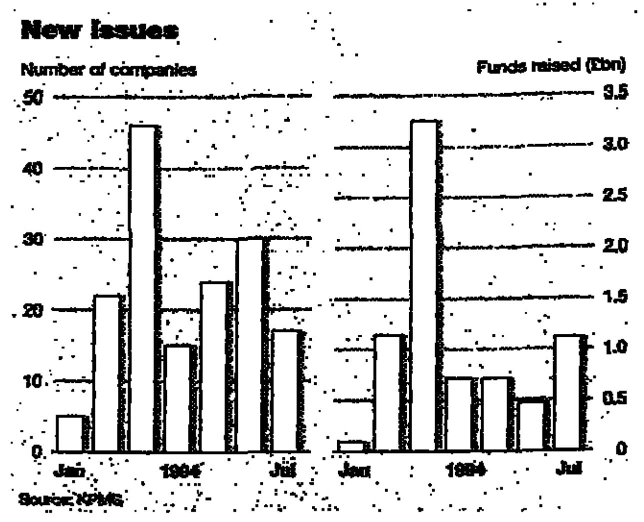
The net result is that 1994 will overwhelmingly break both the 1986 record of £9bn of flotations for a year and the 1993 record number of 180 initial public offers.

This year, according to KPMG Peat Marwick's figures, an estimated 147 flotations have sucked up £7.5bn of institutional capital and added companies with an initial market value of close to £13bn.

These statistics might suggest a return to the euphoric reception of new issues during the bull market of the mid-1980s, but the reality could hardly be more different.

Institutions all demonstrate an enormous wariness towards the flood of new scrip. Companies such as Canadian Pizza, United Carriers and Nottingham Group, which encountered unexpected sales declines shortly after flotation, have made it more difficult to persuade fund managers to support less than quality issues.

As Mr Neil Austin, of Peat Marwick Corporate Finance, says: "One of the advantages of the shake-out is that those opportunistic, or downright greedy, companies that shouldn't float will not be able to. I think we have lost that fringe element for the moment."



Primary causes of the recovery in confidence were the 3i and Exco flotations. Both received strong institutional support for share offers despite uncertain market conditions. Backers were rewarded with share price increases of 18 per cent and 19 per cent respectively.

However, enthusiasm will be tempered by less successful flotations such as on-line business information group MAID, whose shares fell 61 per cent below the 110p issue price, before recovering to a 36 per cent discount.

Investors are likely to be faced with a mixture of both. Larger companies, such as Thorn Lighting and ED & F Man, have experienced managements and long track records, and are expected to get positive responses at the right price. By contrast, there are a number of smaller companies that have been touting themselves over too many months, which may encounter less enthusiasm.

The list of impending floats will include names such as Ashbourne Homes, Bright Reasons, Century Inns, Compell Group, Datrontech, Filtronic Comtek, Optus, Seaperfect, Servisair and USM Texon.

Brokers said they hoped that these would be evenly spread throughout the remainder of the year, but the reality will be the opposite.

There is a sense that there is only a limited window of opportunity. Companies and their advisers are therefore already jostling to get to the front of the line, to ensure that they are not left exposed when institutional appetites are satiated.

The dangers for those that miss the boat are great. London Capital's flotation was pulled at the last minute, as major shareholder Citibank refused to sell out at the prices dictated by its advisers – close to a 15 per cent discount to assets.

Analysts said there were concerns over the LCH's management, which might have been ignored in a stronger market. However, having withdrawn once, it would be likely to struggle to get a positive response a second time and a trade sale is now considered a more likely exit for Citibank.

British Printing Company was another casualty, but it was beaten more on price than quality and is expected to relaunch its offer, after completing accounts for the current year.

In the past, marginal flotations could be propped up through support from the small retail investor, but this year the public have played only a limited role.

The Capital Shopping Centres public offer was only 14.4 per cent subscribed, and even after an aggressive marketing campaign, the public portion of the 3i offer was only 1.1 times subscribed.

Institutional shareholders are therefore the key to success, and they are returning from summer holidays with money to spend from recent bids and dividends and a more positive outlook for the market.

The race is now on to see how many new issues can get through before the mood changes once more.

Interest income cuts Scotia loss to £1.54m

By David Blackwell

Scotia Holdings, the drugs company which raised £37m from its flotation last October, reduced its interim pre-tax loss from £2.59m to £1.54m, helped by net interest income of £839,000, compared with interest paid of £282,000.

However, the previous result was after net exceptional charges of £1.5m. Profits before R&D, exceptionals and interest eased from £2.97m to £2.92m on sales 14 per cent ahead at £8.81m (£7.76m).

Scotia finances research into new drugs with the profits from sales of evening primrose oil. Research focuses on lipids, important constituents of the membranes which surround cells.

Mr David Horrobin, chief executive, said the company had five products in phase 3 trials, yet its cash balances had fallen by only £467,000 in the six months. Spending on research and development had risen by more than 40 per cent to £5.29m.

The pharmaceutical division's sales and royalties fell from £3.97m to £3.85m, reflecting price reductions in the UK, which accounts for 60 per cent of the total. Sales of distribution rights and other operating income were down 34 per cent at £1.51m (£2.3m).

The nutritional division increased sales and royalties by 31 per cent to £4.97m (£3.79m) following a return to the US market and a change of UK distributor.

Mr Horrobin said the flotation had allowed the group to accelerate patient recruitment for trials. Drugs in the pipeline include treatments for diabetic complications, pancreatic cancer and the side effects of radiotherapy.

Losses per share were 2.5p (6p).

NEWS DIGEST

Interest cut bolsters Expamet

A 39 per cent cut in interest charges to £830,000 helped Expamet International to raise pre-tax profits by 30 per cent from a restated £2m to £2.6m in the first half of 1994. Turnover on continuing businesses rose from £62.8m to £64.3m.

The company's security and building sectors both showed improvements – at £1m (£0.9m) and £1.8m (£1.7m) respectively – while the industrial side, although £0.5m lower than last time at £0.6m, showed a recovery on last year's difficult second half.

The lower interest charge reflected both reduced borrowings and a fall in French interest rates. At June 30, borrowings including leasing, had reduced by 20 per cent or £4m compared to mid-1993.

Earnings per share were 2.71p (2.59p) and the interim dividend has been lifted from 1.25p to 1.35p.

RPS shares jump after 35% increase

Shares in RPS jumped by 10 per cent from 60p to 66p after the USM-quoted environmental consultancy reported a 35 per cent increase in first-half pre-tax profits and sounded an optimistic note for the future.

Pre-tax profits increased from £388,000 to £525,000 for the first half of 1994, on turnover up by 22 per cent at £4.27m. Margins also increased from 11 per cent to 12 per cent.

Mr Roger Looker, chairman, said the forward order book level was more encouraging than at any time since the recession first affected the group in the second quarter of 1990.

Earnings per share climbed from 2.17p to 2.89p and the dividend has been stepped up to 1.3p (1.1p).

Cantors improves towards end of year

Cantors, the retail furnishing group, reported pre-tax profits of £2.54m for the year to April 23, a 52 per cent increase on the comparable £1.67m. Turnover rose 3 per cent from £60.4m to £62m.

Mr Harold Cantor, chairman, said the January sale was successful and there was an improvement in trading in the last quarter of the year.

This continued into the first month of the present year but the tax rises and the hot weather in June and July resulted in very poor trading.

Earnings per share came out at 10.33p (6.66p) and the dividend is being maintained at 4p with an unchanged final of 3p.

Panther wins Etonbrook Props

Mr Andrew Perloff has gained control of Etonbrook Properties.

The offer by his Panther Securities, an investment and property dealer, has been accepted by holders of 397,351 shares representing 8.12 per cent of the voting rights taking the company's share of the voting rights to 50.45 per cent.

The offer is now unconditional.

Oliver reduces first half loss to £1.65m

Oliver Group, the shoe retailer now trading from 335 branches, cut its losses from £2.24m to £1.65m for the six months to July 2.

The group made a £244,000 full-year profit; however "footwear, like most other forms of retailing, is heavily dependent on the peak Christmas trading period for a profitable outcome for the year," said Mr Denis Cassidy, chairman.

Turnover was down at £32.2m (£33.2m), but this was achieved from 43 fewer branches than in the first half of 1993. Losses per share were 6.55p (8.86p).

Computer People doubles to £733,000

Computer People, the computer recruitment service and consultancy, reported pre-tax profits doubled from £364,000 to £733,000 for the half year to end-June.

The shares rose 10p to 195p.

The outcome was struck after an exceptional charge of £530,000 relating to management reorganisation, and came from revenue up from £33.5m to £38m.

Earnings per share emerged at 3.42p (1.45p) and the company is restoring the interim dividend with a pay-out of 1p.

Edinburgh Income net asset value 46.5p

Edinburgh Income Trust, the split capital investment trust formerly known as EFM Income Trust, reported a net asset value per ordinary share of 46.5p on July 31 1994, against 50.7p three months earlier and 50.2p on July 31 1993.

Net asset value of the zero dividend preference shares was 50.3p against 48.8p at the beginning of the quarter.

Net revenue for the first quarter was £129,000 against £172,000 last time, for earnings per share of 0.9p (1.1p).

The first interim dividend is unchanged at 1p.

John Mansfield in black midway

Better conditions in all its markets helped John Mansfield Group, the timber processing and manufacturing concern which came to the market in June, to turn in a pre-tax profit of £102,000 for the first half of 1994. This compared with a £36,000 loss last time.

Turnover grew 8 per cent to £3.74m and earnings per share were 0.37p (0.12p losses).

The company said that cash inflow following the flotation had significantly strengthened the balance sheet. Reduced bank borrowings had only a small effect on lower interest payments of £95,000 (£105,000) for the period and the main benefit would be seen in the second half.

Acquisition helps Calderburn advance

Calderburn, the Preston-based office furniture group, reported pre-tax profits up from £1.41m to £2.84m for the six months to June 30.

The outcome was struck on turnover up from £12.9m to £28m, and included a first contribution from Specialised Banking Furniture, acquired in December last year.

Earnings per share emerged at 7p (3.6p), or 6.1p (3.5p) fully-diluted, and the interim dividend is raised to 2.9p (2.8p).

Advanced Media share placing

Advanced Media Group, the interactive multimedia company, has placed 400,000 ordinary shares, with warrants attached on a 1-for-5 basis, at 110p each.

The placing, which represents 38.9 per cent of the equity and values the company at £1.3m, will fund the next stage of AMG's expansion into the mainstream of multimedia development and publishing.

Dealings on the 4.2 market, formerly the 535(2) market, began yesterday.

Energy Capital Investment Company

Energy Capital Investment Company, which came to the market via an institutional placing in February, reported a net asset value per share of 43.39p at June 30.

Gross revenue for the period from incorporation on November 1 to end-June amounted to £68,255. The interim pre-tax loss of £84,927 was struck before revenues began to flow from investments negotiated in the early months of trading. Losses per share emerged at 0.47p.

ECIC is an investment vehicle specialising in project finance for the oil and gas industry in the US.

Copymore ahead 46% to £1.1m

Copymore, the USM-traded photocopying machine supplier, increased pre-tax profits from £758,000 to £1.11m for the six months to June 30, a rise of 46 per cent.

Turnover rose 37 per cent from £17.2m to £23.5m.

The company sold the distribution division of its Birmingham-based subsidiary, Mekom Computer Products, for £1.35m in August.

Earnings per share were 6.5p (4.5p) and an interim dividend of 2.6p (2.5p) is declared. The share price rose 10p to 115p.

Mithras Investment above benchmark

Net asset value per share at Mithras Investment Trust improved from 54.2p at February 21, when it came to the market, to 61.5p at June 30.

This marked a 13.5 per cent increase compared with a 11.7 per cent fall in the benchmark FT-SE-A All-Share Index. Net revenue for the period was £65,000 for earnings per share of 0.16p.

Bletchley Motor advances to £1.13m

Bletchley Motor Group continued to improve with a 44 per cent increase in pre-tax profit for the six months ended June 30, up from £785,000 to £1.13m.

Turnover was ahead at £52.7m (£39.6m). Contract hire and dealership showed good growth, although the self drive rental side was disappointing, the company said.

Earnings per share came out at 13p (10.9p) and the dividend is raised from 4.75p to 5.375p.

■ Housebuilder cautions on August sales ■ Repair and DIY market still in doldrums

Wilson Bowden 46% ahead to £16.5m

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Wilson Bowden jumped 46 per cent to £16.5m during the first six months of this year – after discounting a "one-off £5.5m pension fund surplus" in the first half of 1993.

However, Mr David Wilson, chairman and chief executive, struck a cautious note following reports last week that new house sales had recovered sharply during August from disappointing levels in June and July.

He said: "Our sales are slightly higher than in August last year, but nowhere near the margin suggested by other builders." Persimmon, the country's eighth largest housebuilder, had said that its August sales were a quarter higher than last year.

Mr Wilson said his company traditionally did better in September and October, but there were signs that the market was beginning to improve.

Its sales in southern England last week were double those of the corresponding week last year, although sales in the Midlands were only slightly higher.

The company is increasing its interim dividend by 7.5 per cent to 2.85p after earnings per share rose by a fifth to 11.8p, excluding last year's pension fund surplus and reflecting last November's £57m rights issue.

Housebuilding profits rose by 56 per cent to £13.6m (£8.7m). The number of houses sold increased by 17 to 965, while operating margins increased from 13.4 per cent to 15.5 per cent, which Mr Wilson claimed was the best in the sector.

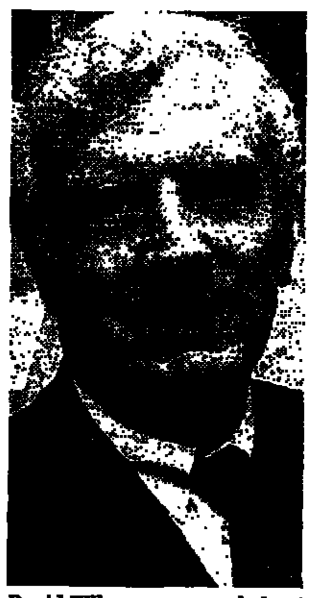
Margins were boosted by a 15.3 per cent rise in the average price from £78,900 to £91,000. Of this about 3 per cent represented a genuine price rise and removal of discounts; the remainder reflected a change in product to more expensive, higher-margin properties.

Increased volumes for the same fixed overheads also helped enhance margins. Mr Wilson said the company had used up most of the more expensive land bought in the late 1980s and early 1990s.

He remained concerned about government environmental policies stifling the supply of land for housebuilding, although the big increases in prices paid for land had slowed since the beginning of the year.

● **COMMENT**

It is difficult to find areas to improve when you are already top of the class. Less well managed competitors, which have more to gain from a housing recovery, receive buy recommendations for their shares while most of Wilson Bowden's virtues are already in its price. One area of gain may be commercial property where profits, in spite of a slip to £3.4m (£4m) at the half year, are likely to be comfortably above last year's £6m. The company has reported an upsurge in demand for industrial units. The balance sheet remains strong in spite of recent land purchases. Pre-tax profits of £37m this year and £47m next place the shares on prospective multiples of approaching 16 and almost 18 respectively – high enough at this stage of the recovery.



David Wilson: concerned about supplies of building land

US purchases behind Heywood advance

US acquisitions boosted the first-half results of Heywood Williams, the building materials and automotive components group, which more than doubled the pre-tax profits of its continuing businesses to £16.1m, writes Andrew Taylor.

Last year's interim profit of £22.74m was not comparable as it included a £15m gain on the £95m sale of the UK glass division to Pilkington.

Proceeds from the sale were used to buy two US companies: LaSalle-Deitch, which supplies components and furnishings for factory built homes, and Bristol Corporation, the plumbing products concern. The latter also sells heavily to suppliers and occupiers of factory built homes.

The acquisitions, which joined the group after the first half of last year, added £7.8m to operating profits which rose from £7.6m to £16.1m. Profits from existing US operations increased by £300,000 and the US total reached £9.6m, compared with £1.4m.

Ralph Hinchcliffe: Finalex price was low

UK building materials businesses, however, continued to suffer from the failure of the repair, maintenance and do-it-yourself markets to recover.

Profit margins on plastic windows and doors have been squeezed by big rises in polyvinyl chloride raw material prices. Overall UK profit, including AutoWindscreens, fell by 6.8 per cent from £6.21m to £5.81m.

Continental European glass profits rose sharply from £77,000 to £265,000 reflecting an improvement in construction markets. It is thought the group intends to sell this business.

In the UK it has accepted an offer for Finalex, "reflecting the asset value" of the aluminium extrusion business which has been losing market share to plastics in the replacement window and door market. Mr Ralph Hinchliffe, chairman, said the price was low and not material by comparison with Heywood's remaining businesses.

Earnings per share of continuing businesses increased from 5.5p to 9.7p, including the effects of last December's £52.4m rights issue.

The company, therefore, is proposing to increase the interim dividend by 11 per cent to 5p.

● **COMMENT**

Heywood is the latest building materials producer to complain of slow progress in UK repair and maintenance markets. These fare better when the housing market is performing well. General house sales, however, remain sluggish compared with new house sales. Meanwhile, PVC prices seem set to rise further. Heywood shareholders should be grateful, therefore, for some shrewd earnings-enhancing US acquisitions. These should help increase group profits to £36m this year and £42m next. This places the shares on forward multiples of 16 this year and more than 13 for 1995. It is difficult, however, to see how the group will improve this rating until there is a more positive outlook for UK repair markets.

Redundancy for head of Lloyd's agency

By Richard Lapper

Mr Terry Hayday is parting company with Sturge Holdings after three years as chief executive of the Lloyd's agency's insurance operations.

Mr Hayday's departure follows the appointment of Lord David Poole as group chief executive early last month, and the decision of Mr David Coleridge, the chairman and former chairman of the Lloyd's market, to retire next February.

"Both the company and Mr Hayday have agreed that it is in their mutual best interests if Mr Hayday left the group," the company said.

"He has accordingly accepted that he is made redundant effective from 16 September 1994, on which date he will resign all his directorships with the group."

Mr Hayday originally became a director at Sturge when his own underwriting agency was taken over by the larger group in 1990.

His tenure in office has coincided with a difficult period for Sturge, with the capacity managed by its underwriting agency falling from over £1bn to some £660m after losses at a number of syndicates.

Sturge, under Mr Coleridge's direction, grew rapidly in the late 1980s. But it closed eight of its 22 syndicates early last year, including two – 206 and 210 – which had generally been regarded as "flagships" in the market. The closures and dismissal of 40 staff were part of a rationalisation geared to improve efficiency.

Speedo swimwear helps Pentland jump to £16.8m

By Peggy Hollinger

Pentland Group yesterday claimed a share in recent Commonwealth Game victories as the branded consumer goods company announced a sharp jump in interim pre-tax profits from £6.7m to £16.8m.

The 96 medal winners in the 32 swimming events were all wearing Speedo swimsuits, according to Mr Frank Farrant, finance director. "It is the first time that has happened and shows our strength in the performance-related swimwear market."

Strong growth in the Speedo division, which manufactures and distributes swimwear, was partly behind the sharp rise for the six months to June 30 with acquisitions, on which Pentland spent £20m in the first half, also helping.

The advance was further fuelled by the absence of £9.5m in losses and charges arising from the closure of the US trade finance business in 1993.

At the operating level, profits rose from £5m to £10.2m. Sales rose by 42 per cent to £280.9m (£198.4m), or by 43 per cent on a continuing basis.

Pentland was disappointed by the performance of its US footwear business, which incurred losses of £5m for the whole of last year. Mr Farrant said the group was behind its target to halve losses for 1994, but was confident the division could break even next year.

The consumer goods division suffered from higher prices for commodities such as copper, used in the manufacture of extension cords. This is the largest part of the business at Woods Wire, the cables maker and distributor acquired last year.

Woods, which accounts for about half of total turnover, had been unable to pass on price increases to retailers, Mr Farrant said. However, increases of between 5 and 10 per cent had recently been introduced and there would be further rises in the second half.

Pentland finished the first half with net cash of £145m, against £185 at the December year-end. The drop in cash and lower interest rates accounted for a fall in net interest income from £9.5m to £4.2m.

Mr Farrant said the group's strategy of making medium-sized acquisitions had been vindicated by the results. "We have come a long way and people have not recognised that fact because we have not done one major acquisition."

Although Pentland would continue to be acquisitive, the group now intended to focus more on managing brands, Mr Farrant said.

The dividend was increased by 7.8 per cent to 1.25p (1.16p) from earnings up from 0.41p to 2.71p, although the rise was a more restrained 19 per cent when non-recurring items were excluded.

Analysts upgraded forecasts for full-year profits before exceptionals from about £31m to £35m, compared with £28.3m before exceptionals. The shares were marked up 4p to close at 108p.

COMMODITIES AND AGRICULTURE

China reveals its gold production at 90m tonnes

By Kenneth Gooding, Mining Correspondent

China yesterday puzzled western analysts by revealing its annual gold production. It was the first time since 1949 this statistic had been given by China which previously insisted that gold output was a state secret.

Mr Song Ruixiang, Minister of Geology and Mineral Resources, told Reuter that last year China produced 90 tonnes of gold.

This was well below the 127 tonnes estimated by the Gold Field Minerals Services research group in its annual review of the market, regarded as one of the most authoritative available. Mr Kevin Crisp at GFMS said his organisation's estimate included unofficial gold production while the minister obviously was referring only to official output.

Gold producers were required to sell all their gold to the People's Bank of China, the central bank. As the bank did not vary its price in line with western bullion markets, there was a big incentive for miners to dispose of their gold elsewhere when prices rose. "I think a production figure between 120 and 130 tonnes is more realistic," said Mr Crisp.

This still left the question of why China had suddenly broken with tradition. Usually it simply reveals a percentage change. Official newspapers previously reported that China's 1993 production rose by 7.5 per cent from the 1992 level.

One analyst suggested that it possibly was significant the revelation came from the Ministry of Geology and not the State Gold Bureau."The Ministry is keen to attract foreigners into China's gold business and knows that foreign companies want an indication of the official figure," the analyst said.

Bumper US crop but farm incomes to fall

By Laurie Morse in Chicago

Ideal harvesting weather across most of the mid-West is allowing US grain farmers to reap near-record maize and soyabean harvests.

The bountiful crop will recharge silos and grain bins drawn low after last summer's drought and flood-ravaged season, but will do little to improve farm profits. Producers have watched market prices for feed grains sag steadily through the summer as crop prospects brightened.

Now, with only scattered chances for damage from frost or disease remaining, analysts say official estimates of a 9.21bn-bushel maize harvest and a 2.28bn-bushel soyabean crop are almost certainly on target.

The output gains come not only because there were more acres planted this year – for the first time in recent history the US Department of Agriculture did not require farmers to set aside unplanted ground – but because yields per acre are up in many states.

Although domestic food processors and livestock feeders will consume more grain than ever this year, export markets for maize and soyabeans are on decline.

A dip in farm income this year could slow the current mini-boom in agricultural machinery sales next year and limit the recovery in farm real estate prices. The big crop will also require Washington farm-policy makers to reconsider acreage set-aside rules.

Analysts say the big crop will also keep pressure on USDA officials to beef up export subsidy programs to move grain overseas. USDA economists, who are revising their farm-income data for this year and last, are expected to report this week that farmers' net cash income in 1994 will be substantially lower than last year.

The USDA recently estimated that net cash income to farmers was a record US$62.5bn in 1993, when higher prices and government payments more than offset income lost due to crop disasters. However, that figure will be revised downward to $58.4bn, according to Mr. Bob McElroy, senior financial analyst with the USDA.

He says 1994 farmers net cash income will be below that record, in the range of $53 to $57bn. The dip in net cash income this year is the result of several factors,

Expenses, including interest rates, are higher this year, and government payments to farmers are expected to drop to about $8bn, far below last year's $13.4bn. Throughout much of the midwest, livestock prices are an important factor in farm profits.

"In our seven-state area, livestock accounts for about 60 per cent of farm income," says Mr. Mark Drabenstott, senior economist with the Federal Reserve Bank of Kansas City.

"We think farm incomes will be down this year largely because of sour cattle prices in the spring in early summer".

Cattle feeders had a bad first half in part because high feed grains prices prompted many livestock producers to slaughter herds, creating a glut of red meat.

Now, with the feed situation reversed, livestock producers are contemplating herd expansion, a factor that may keep a stream of inexpensive beef flowing to supermarkets over the next two years.

No early restart at Panguna planned

By Nikki Tait in Sydney

CRA, the Australian mining company in which Britain's RTZ holds a 49 per cent stake, yesterday said it would need to see permanent stability on the strife-torn Pacific island of Bougainville before it would consider re-opening the controversial Panguna copper mine there.

"Until we've got political stability on the island.... and also a decision by the locals to support the reopening of the mine we won't be going back," the company said.

However, CRA's caution did not prevent a surge in the shares of Bougainville Copper which , though controlled by CRA with a 53.6 per cent stake, is also quoted separately on the Australian stock exchange. When trading opened, they hit A$1.25, before dropping back for a gain of 12 cents at A$1.18.

Speculation about the reopening of the mine follows a ceasefire agreement reached over the weekend between the Papau New Guinea government, which controls Bougainville, and the Bougainville Revolutionary Army, which represents the demand of locals who want to secede from PNG. The PNG government and the BRA have been fighting a six-year guerrilla war on the island, and hundreds of people are estimated to have been killed.

The mine, operated by CRA, was a catalyst for the outbreak of the hostilities back in the late-1980s. At one stage, Panguna provided about 30 per cent of PNG's export revenues and accounted for 10 per cent of the nation's gross domestic product. However, locals claimed that they had been inadequately compensated for allowing the mine to be built, and that income was flowing out of Bougainville, into the coffers of CRA and the PNG government. The mine was mothballed in 1989.

MARKET REPORT

LEAD prices rose to a fresh two-year peak of US$622 a tonne on the London Metal Exchange following speculative buying and short covering ahead of stock figures today expected by some traders to show another fall. This should spark more gains towards $650. ALUMINIUM vacillated, driven down by the end of the three-week strike at Australia's Tomago smelter, which cost output of about 80,000 tonnes, but given support by news that the Volta River Authority in Ghana had told Kaiser to halt output at its 200,000-tonnes-a-year Valco smelter. OIL prices slipped back as more evidence emerged that the strike in the Nigerian industry, which began on July 4, was coming to an end.

Compiled from Reuters

De Beers digs deeper into its resources

Kenneth Gooding on the new lease of life for the Jwaneng and Finsch diamond mines

The Jwaneng mine, on the fringes of the Kalahari desert in Botswana, is known as "a gem in the world of gems" because it almost certainly is the richest diamond mine in the world – at least in terms of the value of the gem stones it yields. Jwaneng's position is being reinforced by a US$160m expansion programme at present being completed three months ahead of schedule and under budget.

Meanwhile, 160km west of Kimberley in the northern Cape Province of South Africa, another diamond mine, the Finsch, where operations started in 1964, has been given a new lease of life.

Having dug an open pit 423 meters deep, miners have now gone underground. Mr Simon Webb, the general manager, says that the underground development has given it another 35 to 40 years of life.

All this goes to show that De Beers, the South African group that dominates world trade in rough (uncut) diamonds, still has complete faith in its ability to maintain stability in the diamond market despite short-term difficulties such as those the company is experiencing with Russia. It also remains intent on maintaining its diamond output even though its 100-year-old mines at Kimberley are now running down.

The South African group believes that its control of at least 50 per cent of world diamond production gives it a powerful base from which to negotiate with the other producers who have marketing contracts with De Beers' Central Selling Organisation,

In Botswana De Beers controls half of Debswana, the company that owns the Jwaneng mine with the government owning the rest. The value of Jwaneng to Botswana cannot be overstated.

It, and the country's two other (smaller) diamond mines, between them account for 50 per cent of the government's revenue and 40 per cent of the country's gross domestic product. No wonder Jwaneng's company slogan is *Re phtas imisa Botswana*, which translates as We make Botswana sparkle.

Production started at Jwaneng in 1982. Now a so-called fourth stream is being completed which is adding one-third to processing capacity. In turn, this is mean a 21 per cent rise in the number of carats produced. Last year the mine treated 5.8m tonnes of ore which yielded 8.546m carats of diamonds, well below the 1992 output when the 5.77m tonnes treated gave up more than 9m carats.

Jwaneng's open pit has reached a depth of 190 meters. Already it is 2kms long and 1km wide. Mr Loz Shaw, chief geologist, says drilling down to 600 meters shows there are still plenty of diamonds at that depth and so the pit will go down at least that far.

Underground development at the Finsch mine in Cape Province

Mr Derrick Moore, the general manager, says this indicates mining in the open pit will last another 35 years – "and then we might go underground.

If experience at De Beers' wholly-owned Finsch mine in South Africa is anything to go by, planning the underground development at Jwaneng might already have started.

Planning for the underground mine at Finsch started in the 1970s and the first work began in 1979. Yet the bottom of the Finsch open pit – 423 meters – was not reached until 1990.

Unfortunately, things did not go completely as expected when underground mining started, to some extent because the development was designed by a management whose expertise was mainly in open pit mining.

However, Mr Mark Button, mining superintendent, says: "Finsch has come of age as an underground mine after two years. Our costs compare with the best in the group."

Among the innovations that have helped Finsch achieve its objectives are some remotely-controlled LHD (load-haul-dump) trucks which are similar to radio-controlled toy vehicles or boats. Using VHF radio signals, a driver can stand back and send a truck on its own to dig out material from areas between the old pit wall and the underground development that would not otherwise be mined because of the dangers involved. When, as occasionally happens, rock crashes on to the LHD trucks it is relatively simply to haul the vehicles out virtually undamaged.

Mr Webb says the objective is to mine down to a depth of 830 meters at which point there are not enough diamonds left in the ground to make recovery viable.

Finsch – named after the discovers, Messrs Fincham and Schwabel, who stumbled across the kimberlite pipe containing the diamonds when actually they were looking for asbestos – is one of the victims of the present turmoil in the diamond market caused mainly by uncertainties about Russian exports.

About 500 of its 1,900 employees were laid off in August 1992. It is mining only five days a week at present and processing on four days. Last year Finsch mined 2.68m tonnes and recovered 2m carats of diamonds compared with 4.7m tonnes mined and 3.446m carats in 1992.

Mr Webb suggests 1994 output will be similar to last years. But, when market conditions improve, production can be brought back up to previous levels in about six months.

Majors weigh India's alumina potential

By Kunal Bose in Calcutta

India with the world's fifth largest bauxite reserve will be emerging as a significant supplier of alumina to the world, the international aluminium majors believe.

Their faith in India can be seen the recent conclusion of joint ventures formed with the local companies for mining bauxite and producing alumina for export.

Impressed with the vastness and quality of Indian bauxite reserve, Alcoa of the US has chosen Larsen & Toubro, India's largest engineering company, for a project aimed at producing and exporting 1m tonnes of alumina a year.

Norsk Hydro of Norway will be working with Indian Aluminium, an associate of Alcan of Canada, and Tata Industries, part of India's largest industrial group, to build a 1m tonne export oriented alumina plant.

Both projects are located in Orissa which accounts for nearly half the country's bauxite reserve.

Gujarat Alkalies & Chemicals is talking to Kaiser Aluminium for technology for its proposed 500,000 tonne alumina project in the Kutch district of Gujarat.

Kitply Industries, India's biggest producer of plywood, has signed a memorandum of understanding with the Madhya Pradesh Industrial Development Corporation to build a 1m tonne alumina project.

Mr Goenka, chairman, said that Kitply was talking to some aluminium majors in the US and Europe about technology, equity participation and marketing assistance.

At the same time the Andhra Pradesh Mineral Development Corporation, a state undertaking, is looking for a private sector partner to mine bauxite at Srikakulam-Vizianagaram belt and refine it into alumina. However, the lack of infrastructure and a growing extremist movement in the region may make the search for a partner difficult.

RPG Enterprises, India's fourth largest business house, also wants to build an alumina plant.

Meanwhile, Nalco is raising the alumina refining capacity of its existing plant to 1.35m tonnes from 900,000 tonnes. The company exports around 400,000 (repeat 400,000) tonnes of alumina a year.

Explaining the reasons for the growing interest of aluminium majors in alumina ventures in India, Mr Tapan Mitra, managing director of Indian Aluminium, said: "We are the least cost producer of alumina in the world. The alumina production cost in our proposed export oriented project is estimated at $80 a tonne, which is much lower than the world average cost." While the 1m tonne Indian Aluminium project will cost $800m , a similar project elsewhere in the world will need an investment of at least $1bn, according to Mr RN Parbat, director.

He points out that the foreign companies were particularly impressed that a major portion of proven Indian reserves of about 3bn tonnes of bauxite is of the Gibbsitic variety which allows refining at a low temperature and low pressure. It is found along India's Eastern Ghats running through Orissa, Andhra Pradesh and Tamil Nadu.

EU moves against Asian garlic

By Deborah Hargreaves

The image of the French peasant with a string of garlic around his neck could be threatened by a huge surge in imports of the pungent bulb from China, Vietnam and Taiwan to the European Union. French farmers have complained that the livelihood of many small producers and family growers is at stake.

The European Commission has revoked garlic import licences from Taiwan and Vietnam until May next year. Licence requests from Vietnam increased by 680 per cent between the beginning of June and August 19 compared with the same period last year.

Over the same period, Taiwanese producers raised their demands for licences by 4,611 per cent.

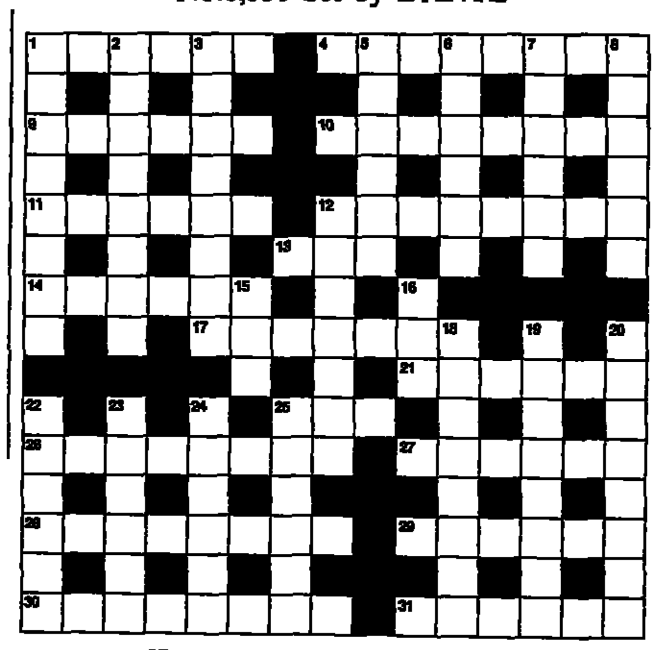
The French farmers' union has called on the Commission to impose a total ban on imports until the middle of next year. The French are backed by Spanish growers which between them represent the bulk of garlic produced in the EU.

European producers believe that Taiwan and Vietnam are being used as conduits for Chinese garlic following the placing of restrictions on Chinese imports in June.

Last year China sent 40,000 tonnes of garlic to the EU – almost 20 per cent of the entire market. This year shipments have been restricted to 10,000 tonnes. Growers complain that the Chinese garlic is of a low quality and has undercut EU prices.

CROSSWORD

No.8,551 Set by DANTE



ACROSS

1 Check demand for material (6)
4 The Utopian has his own collection of notions (8)
9 Completely exhausted but making maximum effort (3,3)
10 A round about way to get a letter (8)
11 Roll includes any new writer (6)
12 A number expelled are downcast (8)
13 Inspired piece of music (3)
14 Many move up, being bright (6)
17 Point wrongly claimed (7)
21 A stern guide (6)
25 A mercenary will fight for it (3)
26 Brief case (8)
27 Digs out stories that make the headlines (6)
28 Hard lines (8)
29 Some particular soldiers, perhaps (6)
30 Trying hard to persuade one it's urgent (8)
31 Undoubtedly the trendy thing to do (6)

DOWN

1 Flinch because of a handicap (8)
2 A gremlin disposed to swing the lead (8)
3 Cried out – to the police? (8)
5 This club needs a licence (6)
6 He takes his bow before performing (6)
7 Listen out for bays (6)
8 Abusive words from one engaged in commerce (6)
12 Watch, no hands! (7)
15 It is among the more dominant colours (3)
16 Sailor possibly low in cigarettes (3)
18 Meal takes an age – unnecessarily (8)
19 He should know how to press a suit (8)
20 Showed anger in hair-raising fashion (8)
22 Catch in Antwerp on the loose without wife (6)
23 Leader of the squad tried to change step (6)
24 Wraps around one's shoulders (6)
25 Lose a wicket but don't declare (4,2)

Solution to Saturday's prize puzzle on Saturday September 17.
Solution to yesterday's prize puzzle on Monday September 19.

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1534-35	1559-60
Previous	1539-40	1564-5
High/low	1530.5/1526	1565/1548
AM Official	1528.5-29.0	1553.5-54.0
Kerb close		1565.5-66.0
Open int.	276,429	
Total daily turnover	33,558	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1550-60	1570-80
Previous	1550-5	1570-5
High/low		1575
AM Official	1545-50	1565-70
Kerb close		1570-80
Open int.	2,857	
Total daily turnover	523	

■ LEAD ($ per tonne)

Close	609-11	621-22
Previous	604.5-5.5	617-8
High/low	605	622/615
AM Official	605-5.5	618.5-19.0
Kerb close		621.5-22.0
Open int.	41,164	
Total daily turnover	8,695	

■ NICKEL ($ per tonne)

Close	6210-15	6305-10
Previous	6250-60	6340-5
High/low	6205	6350/6290
AM Official	6205-7	6303-4
Kerb close		6350-60
Open int.	54,373	
Total daily turnover	12,724	

■ TIN ($ per tonne)

Close	5293-303	5365-75
Previous	5375-80	5435-40
High/low		5400/5350
AM Official	5310-20	5380-90
Kerb close		5340-50
Open int.	17,562	
Total daily turnover	2,805	

■ ZINC, special high grade ($ per tonne)

Close	974-75	997-98
Previous	985-6	1007-8
High/low		1000/996
AM Official	974-4.5	996.5-7.0
Kerb close		995-6
Open int.	97,733	
Total daily turnover	23,995	

■ COPPER, grade A ($ per tonne)

Close	2478.5-79.5	2494-94.5
Previous	2490-1	2504.5-5.0
High/low	2485	2504/2494
AM Official	2485-85.5	2498-99
Kerb close		2500-1
Open int.	216,898	
Total daily turnover	40,745	

Base metals continued

■ LME AM Official £/$ rate: 1.5490
LME Closing £/$ rate: 1.5475

Spot: 1.5465 3 mths: 1.5446 6 mths: 1.5413 9 mths: 1.5363

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	387.00-387.40	
Opening	387.20-387.60	
Morning fix	386.90	250.048
Afternoon fix	386.90	249.661
Day's High	387.20-387.60	
Day's Low	386.50-386.90	
Previous close	387.00-387.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.32	6 months	4.52
2 months	4.34	12 months	4.91
3 months	4.37		

Silver Fix	p/troy oz.	US cts equiv.
Spot	349.25	540.75
3 months	353.70	546.90
6 months	358.90	553.95
1 year	372.00	570.35

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	254-257
Maple Leaf	397.70-400.20	
New Sovereign	90-93	58-61

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	15.95	-0.37	16.15	15.85	58,378	11,525
Nov	16.13	-0.28	16.19	16.02	37,285	6,524
Dec	16.25	-0.21	16.28	16.12	20,235	1,651
Jan	16.27	-0.22	16.28	16.15	8,428	215
Feb	16.28	-0.12	16.28	16.12	4,512	355
Mar	16.26	-0.12	16.28	16.13	5,097	74
Total					141,190	29,368

■ GAS OIL IPE ($/tonne)

Sep	149.00	-1.50	149.25	147.75	23,356	3,095
Oct	152.25	-1.75	153.00	150.75	24,191	3,484
Nov	154.75	-1.25	155.25	153.25	12,625	408
Dec	156.00	-1.50	158.50	155.25	18,050	986
Jan	157.75	-1.50	157.75	157.00	12,024	225
Feb	158.25	-1.50	158.25	158.00	4,430	62
Total					163,711	8,246

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.25	-	-	-	238	-
Nov	108.20	-0.05	108.20	06.00	2,567	1
Jan	108.25	-	-	-	1,773	-
Mar	110.15	-0.10	110.15	110.00	1,148	11
May	112.35	-0.05	112.35	112.00	1,116	29
Jul	114.20	-	-	-	177	-
Total					7,019	41

■ BARLEY LCE (£ per tonne)

Sep	103.50	-0.40	-	-	75	-
Nov	104.20	-0.45	-	-	513	-
Jan	106.25	-0.40	106.50	106.25	331	5
Mar	108.50	-0.10	-	-	62	-
May	110.50	-	-	-	21	-
Total					1,002	5

■ POTATOES LCE (£/tonne)

Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	222.8	+4.5	224.0	218.0	1,261	78
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,261	78

■ FREIGHT (BIFFEX) LCE ($10/index point)

Sep	1480	-2	1493	1480	623	52
Oct	1508	+13	1506	1495	880	82
Nov	1500	+10	1505	1500	25	20
Jan	1490	-4	1503	1490	564	57
Apr	1485	-5	1505	1485	244	40
Jul	1380	-10	-	-	60	-
Total					2,426	251

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	946	-30	963	946	214	37
Dec	987	-19	1000	984	33,261	2,332
Mar	1018	-16	1023	1015	32,059	1,476
May	1032	-15	1036	1028	11,874	481
Jul	1046	-14	1052	1045	5,173	445
Sep	1060	-12	1064	1057	9,017	148
Total					102,712	4,928

■ COFFEE LCE ($/tonne)

Sep	3965	+37	3970	3840	3,114	92
Nov	3870	+47	3885	3800	12,601	1,496
Jan	3822	+34	3830	3780	11,906	520
Mar	3769	+31	3780	3730	5,678	476
May	3723	+25	3735	3715	1,479	45
Jul	3718	+10	-	-	55	-
Total					34,833	2,629

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.34	-	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	12.24	-	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE ($/tonne)

Oct	323.70	+0.50	324.00	322.20	8,369	337
Dec	320.70	-0.30	321.40	320.00	2,301	30
Mar	320.40	+0.20	320.40	319.50	6,134	64
May	320.00	+0.30	320.50	320.00	550	3
Aug	320.20	-0.60	-	-	370	-
Oct	306.30	+0.50	-	-	206	-
Total					17,939	434

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1500	67	110	15	38
1525	51	95	23	47
1550	37	82	34	58
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2400	115	150	17	57
2450	80	121	31	77
2500	52	96	53	101
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	385	492	115	270
3650	353	465	133	293
3700	323	439	153	317
■ COCOA LCE	Dec	Mar	Dec	Mar
1000	53	91	59	73
1050	35	69	98	101
1100	23	53	136	135
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1600	23	-	26	50
1650	9	34	57	77
1700	3	24	-	-

Tea
There was good general demand this week reports the Tea Brokers Association. The first new seasons Assams opened to widespread interest,with selected best lines well in excess of 200 pence. Good mediums were readily absorbed at around valuation. Ceylons were fully firm to several pence dearer for the brighter lines. Quotations: best available 200p, nom good 145p,good medium 135p, medium 117p, low medium 80p. The highest price realised this week was 260p for an assam pf.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

		+or-
Dubai	$15.00-5.07t	-0.160
Brent Blend (dated)	$15.43-5.48	-0.285
Brent Blend (Oct)	$15.90-5.95	-0.255
W.T.I. (1pm est)	$17.35-7.38	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$184-187	-2
Gas Oil	$150-151	-1.5
Heavy Fuel Oil	$72-73	-2.0
Naphtha	$157-159	-1.5
Jet fuel	$167-168	-0.5
Petroleum Argus assessments		

■ OTHER

Gold (per troy oz)♣	$387.20	-0.05
Silver (per troy oz)♣	542.5c	-1.0
Platinum (per troy oz.)	$416.90	+0.90
Palladium (per troy oz.)	$154.25	+1.00
Copper (US prod.)	120.0c	
Lead (US prod.)	36.25c	
Tin (Kuala Lumpur)	13.46m	-0.19
Tin (New York)	249.5c	
Cattle (live weight)†©	118.27p	+2.08*
Sheep (live weight)†♠©	89.00p	-0.51*
Pigs (live weight)©	73.87p	-1.56*
Lon. day sugar (raw)	$302.5	-0.3
Lon. day sugar (wte)	$338.5	-7.7
Tate & Lyle export	£306.0	
Barley (Eng. feed)	£108.5w	-0.5
Maize (US No3 Yellow)	$160.0	
Wheat (US Dark North)	£136.0	
Rubber (Oct)♥	86.50p	-1.50
Rubber (Nov)♥	86.50p	-1.50
Rubber KL RSS No1 Aug	316.50m	
Coconut Oil (Phil)§	$595.0z	
Palm Oil (Malay.)§	$605.0w	-5.0
Copra (Phil)§	$415.0	
Soyabeans (US)	£165.0u	
Cotton Outlook 'A' Index	75.65c	
Wooltops (64s Super)	457p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov/Jan. t Oct. z Sep/Oct. w Sep . ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 5	Sep 2	month ago	year ago
2088.4	2097.4	2092.0	1633.5

■ CRB Futures (Base: 1967=100)

Sep 2	Sep 1	month ago	year ago
232.46	232.60	231.05	216.06

LONDON STOCK EXCHANGE

MARKET REPORT

Economic data help share prices move ahead

By Terry Byland,
UK Stock Market Editor

Favourable data on UK money supply and consumer credit, both indicating reduced pressures for a rise in base rates, enabled the London stock market to move ahead yesterday. Share prices opened lower against a background of weakness in bond markets and nervousness ahead of this week's meeting between the UK chancellor of the exchequer and the Governor of the Bank of England.

However, an early decline of 16 points on the FT-SE 100-share Index was recovered following the news that MO money supply had risen by an annualised rate of only 6.2 per cent in August, below market predictions.

By the close the FT-SE 100 was a net 18.8 up at 3,241.5, with the UK market brushing off weakness in the US dollar and in other European bourses. But in the absence of a lead from Wall Street, closed for Labor Day, trading volume in London was unconvincing and the market was dominated by the placing of stock in WPP, the advertising group, and by activity in a handful of small company shares.

London's performance, which reflected an easing of worries that the meeting of the UK chancellor and the Governor of the Bank of England might focus on arguments for a pre-emptive increase in base rates, ran counter to the general mood in other markets. Nervousness over the outlook for European interest rates increased following wider publication of the bearish views on German rates expressed by a leading US investment bank.

The FT-SE Mid 250 Index, which incorporates a wide range of second line issues, gained 7.4 at 3,788.7. But traders admitted that yesterday's market was not fully tested and that London could yet follow the trend seen elsewhere in Europe.

Seaq volume of 765.5m shares was higher than Friday's total but was swollen by the placing of 120m shares in WPP, double counted as they were passed through the market. Non-Footsie business, which included the WPP placing, made up 75 per cent of the day's total, well above the normal average. On Friday, 715.8m shares through the Seaq electronic network were worth £1.49bn in terms of genuine retail business in equities, comfortably towards the higher end of this year's daily averages.

At least two trading programmes were reported yesterday, and the market was often led from the stock index futures sector. A fairly strong list of company profits due this week opened yesterday with trading news from Burmah Castrol, which disappointed some market specialists, and Coats Viyella, which responded more favourably to good half-time figures.

There was demand for UK bank shares yesterday and oil stocks looked firm in spite of a more sluggish trend in crude prices.

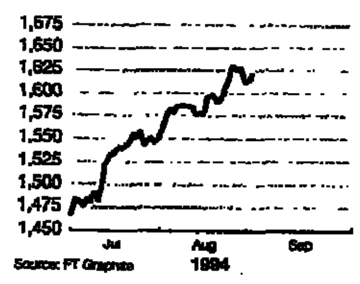
Retail and consumer shares joined in the general improvement, although the July consumer lending total fell well short of market expectations. Analysts said that the unexpectedly low lending figure of £296m reduced the dangers of early action on base rates – a factor favourable to retail stocks.

Later this week the market will take in profits reports from a number of leading blue chip companies, including Glaxo, RTZ, Sun Alliance and British Gas.

While good figures are widely expected from Glaxo, the market is likely to show more interest in any comments on the progress of Zantac, Glaxo's anti-ulcer drug, which still provides nearly half of group profits but now faces the prospect of competition from generic rivals.

There will also be news this week from the building and construction sectors, which are areas seen as sensitive to the pace of economic recovery. While some market analysts have recently recommended UK housebuilding stocks as due for recovery, the news from the industry remains somewhat mixed.

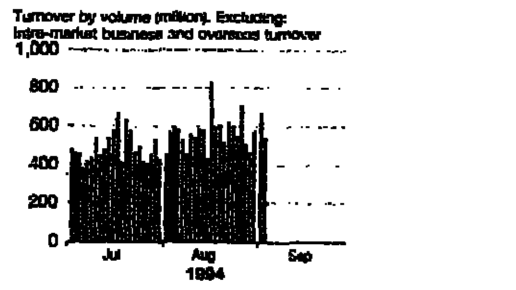
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3241.5	+18.8	FT Ordinary index	2512.2	+6.0
FT-SE Mid 250	3788.7	+7.4	FT-SE-A Non Fins p/e	20.04	(20.27)
FT-SE-A 350	1634.1	+8.0	FT-SE 100 Fut Sep	3247.0	+21.0
FT-SE-A All-Share	1620.76	+7.39	10 yr Gilt yield	8.67	(8.67)
FT-SE-A All-Share yield	3.68	(3.69)	Long gilt/equity yld ratio:	2.40	(2.37)

Best performing sectors		Worst performing sectors	
1 Water	+1.7	1 Electronic & Elec	-0.6
2 Textiles & Apparel	+1.7	2 Engineering, Vehicles	-0.6
3 Merchant Banks	+1.3	3 Property	-0.4
4 Retailers, Food	+1.2	4 Distributors	-0.4
5 Printing, Paper	+1.2	5 Household Goods	-0.4

Heavy session for WPP

Activity in WPP, the advertising and marketing services group, dominated yesterday's business in the London stock market. Banks that bailed out the company two years ago through a convertible share issue sold much of their stake into the market, raising £138m.

The heavily oversubscribed placing by S.G. Warburg on behalf of the syndicate of 28 banks led to total turnover of 246m shares in the stock yesterday and represented a third of the whole volume in London equities on a day dulled by closure of Wall Street for the Labor Day holiday.

The shares converted for around 50p each and had been expected to realise about 100p. By Friday, marketmakers were talking about a price some 10 to 15 per cent higher. In the event, demand at the top level of the auction-style book building process was such that applications could only be 40 per cent satisfied, and 120m shares were sold at the top of the range price – 115p.

Of the 70m shares remaining, half had been sold forward by the banks and the other half had been moved into the banks' own fund management arms for investment purposes. The underlying WPP share price ended 3 higher at 123p.

Standard upgraded

The best individual performance in the FT-SE 100 Index came from Standard Chartered, the banking group, whose shares extended last Friday's good showing, finishing 10 higher yesterday at 265p.

Dealers said the impetus for the shares' bout of outperformance came from Lehman Brothers, one of the leading US investment banks, with UBS also reported to have been recommending the stock. Lehman was said to have been an aggressive buyer of the stock last Friday and throughout yesterday after upgrading its profits forecast for Standard.

The US brokerage was thought to have increased its current year estimate from £480m to £505m and lifted its forecast for next year from £525m to £575m.

Food sector active

Credit Lyonnais Laing was behind a number of significant moves in the food manufacturing sector, triggering weakness in key stocks such as Cadbury-Schweppes, 4 softer at 480p, and good rises in Tate & Lyle, 9 firmer at 449p, and Hillsdown, 4 up at 182p.

CLL also unsettled Hazelwood Foods, which dipped 4 to 139p as the broker shifted its stance from hold to sell.

There was mild disappointment in the market with interim results from Burmah Castrol, the lubricants group. Net income was below best estimates, as was the dividend. But analysts said the market's reaction was more a reflection of the stock's recent strong outperformance; the shares hit an all-time high of 915p last week. They closed 14 lower yesterday at 891p.

Ms Irene Himona, oil analyst at Strauss Turnbull and a long-time bull of the stock, said she still viewed the shares as "undervalued". Mr Bruce Evers at Yamaichi Europe said he remained positive on the stock because of its good exposure to the recovery in Europe and in the US and Far East.

Figures from Coats Viyella, the UK's leading textile group, saw the shares improve 6 to 226p following recent underperformance. Half-time profits of £69.2m were at the top of the range and analysts were relieved to hear that the company's difficulties in Turkey were easing. However, some analysts expressed caution over the low level of growth at the operating profits level. The profits range for the full year is now between £160m and £170m.

There was strong speculation in the electricity sector of further share buy-backs by the "recs", although the only significant individual deal was a trade of 1m Eastern Electricity shares at 788½p. Eastern has already been active in the market to buy in its own shares, acquiring around 5 per cent of its shares last year.

Other recs rumoured to be about to embark on buy-backs included Northern and South Wales. Northern was one of the best performers yesterday, the stock climbing 14 to 824p. South Wales rose 9 to 796p.

Oil shares put on a good showing in spite of the end of the strike by Nigerian oil workers. BP led the sector, racing ahead to a record 422p, albeit in thin turnover of 4m, as marketmakers spoke of US buying and a chart breakout. Traders were picking up stock ahead of a presentation to analysts in London on Thursday week by the head of the group's exploration division. BP recently announced a substantial new gas discovery in Colombia and the market is expecting more good news from that region.

Shell, which reports its interim dividend the same day as the BP presentation, rose 5¼ to 758p.

Bank shares remained among the market's best performers, with institutional buyers continuing to chase the sector. TSB reached its highest level for six months, closing a further 5½ up at 233p on turnover of 4.7m, still boosted by last week's Hoare Govett buy note and also by hints of possible takeover activity.

Fund management groups kept up their recent good form, with Mercury Asset Management appreciating 17 to 670p.

The aerospace sector was an oasis of calm as most analysts left their desks to attend the first day of the Farnborough Air Show. News that Airbus was to take over the European military transporter project came as no surprise and British Aerospace, one of the four Airbus partners, was unmoved at 513p.

Positive comments from Siebe's chief executive Mr Allen Yurko at the company's annual meeting helped to take the shares up 5 to 595p. The market had been expecting the good news – on Friday the stock bounced 18 to 590p – but was particularly pleased with news of the contracts for Foxboro, the US industrial controls group, which showed it gaining market share.

Disappointing figures from Suter, whose interim profits dropped to £12m from £29.6m previously, cut 11 from the share price to 198p.

BTR added 8¼ at 392p ahead of results due on Thursday. Kleinwort Benson reiterated its positive stance.

Paper group Bunzl improved 7 to 173p following top-of-the-range half-year profits of £32.8m. Many analysts responded to the confident statement and strengthening margins by edging up forecasts for the full year above £68m. Hoare Govett went to £68.5m and Panmure Gordon to £73m.

Elsewhere in the sector, Bowater, which reports today, moved forward 6 to 473p. The group is expected to produce profits of around £102m.

MARKET REPORTERS:
Peter John,
Clare Gascoigne,
Steve Thompson.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (54).
BREWERIES (3) Hok (J), Marston Thompson, BUILDING & CNSTRN (1) Severfield-Reeve, CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (2) Jacks (Wm), Norbain, DIVERSIFIED INDLS (1) TT, ELECTRICITY (1) Nat. Power, ELECTRNC & ELECT EQUIP (3) Copymore, Plasmec, Telspec, ENGINEERING (5) Booth Inds, Expamet Int'l, Ransomes, Renold, Tinsley (E), ENG, VEHICLES (1) Airflow Streamlines, EXTRACTIVE INDS (8) Anglo Am Coal, Boulder Gold, Driefontein, Gencor, Harmony, Kloof Gold, Rand Mines, Western Areas, HOUSEHOLD GOODS (2) Slack (F), Swallowfield, INVESTMENT TRUSTS (3) Contra-Cyclical Cap, St David's, Ventura Geared, LEISURE & HOTELS (3) London Clubs, Pelican Grp., Tottenham Hotspur, MEDIA (1) Grampian TV A, MERCHANT BANKS (2) Schroders, Do. N/V, OIL, INTEGRATED (1) Shell Trans, OTHER FINANCIAL (1) EFT, OTHER SERVS & BUSNS (2) Bertam, Calderburn, PRTNG, PAPER & PACKG (2) Sappi, Shelton (M), PROPERTY (2) Argent, Ewart, RETAILERS, FOOD (1) Low (Wm), RETAILERS, GENERAL (3) Etam, French Connection, House of Fraser, SUPPORT SERVS (3) Computer People, Hawtal Whiting, MITE, TRANSPORT (1) GRT, WATER (1) Chester, AMERICANS (1) Amdahl.

NEW LOWS (33).
GILTS (5) OTHER FIXED INTEREST (1) BANKS (3) Bank of Scotland 9¼pc Irrd Prf., Do. 9⅜pc Pf, Standard Chrtd 7⅜pc Pf, DISTRIBUTORS (1) Walpac, ENGINEERING (1) Hill & Smith, EXTRACTIVE INDS (2) Ashanti, Bracken, FOOD MANUF (1) Continental Foods, HOUSEHOLD GOODS (1) Tomkinsons, INVESTMENT TRUSTS (4) First Spanish Wrnts, Do. Wrnts 1997, Johnson Fry Zero Prf, Jupiter Euro Zero Div Pf, OTHER SERVS & BUSNS (1) Esselte, PRTNG, PAPER & PACKG (1) Sonic, PROPERTY (3) Brit Land 8pc Cv Bd, Smith (J) Ests., Specialty Shops, RETAILERS, FOOD (1) Nurdin & Peacock, RETAILERS, GENERAL (2) Pentos, Upton & Southern, SUPPORT SERVS (2) BSM, RCO, TEXTILES & APPAREL (4) Albion, Beckman (A), Foster (J), Lamont.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a very quiet day, with turnover of only 12,242 lots. The low volume made for volatility, with the September contract yo-yoing between low and high points, *writes Clare Gascoigne.*

The FT-SE 100 contract for September delivery got off to a shaky start, down 12 from Friday's close, and fell to test the 3,200 level early in the morning. However, there was plenty of support to prevent it dropping too far, and after touching the day's low of 3,205 it began to rally gently.

The morning's squeeze was tested after lunch as locals – independent traders – called September low and it received no direction from the US, where Wall Street was closed for Labor Day. But it climbed steadily throughout the afternoon, reaching a high of 3,256 before dropping back to close at 3,247 – only 3 points above its estimated fair value, the premium which allows for dividends and the cost of carrying.

Bullish traders who suggested the contract would move higher in the next few days, testing the 3,280 level, received some comfort from after-hours' trading, when it rose to 3,254.

Activity was equally slight in traded options, with volume of only 16,740 lots. FT-SE and Euro FT-SE turnover totalled 1,405 contracts. Hanson was the most active stock option, with 1,222 lots traded, followed by Zeneca with 1,020.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3214.5	3247.0	21.0	3256.0	3205.0	14261	49795
Dec	3226.0	3262.0	21.0	3269.0	3221.0	3844	13045
Mar	-	3288.0	21.0	-	-	0	100

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3783.0	-2.0	-	-	0	4172
Dec	-	3804.5	-2.5	-	-	0	580

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3785.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3240) £10 per full index point

	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
Sep	199½	1½	151	3	105	5½	64	15	31	34	10	66½	2½	113	1	163
Oct	206½	13	164½	21	126½	32	92½	48½	63½	70	42½	99	26½	133½	14½	173
Nov	226½	24½	187	35	151	49	119	68½	90	87½	67	115	46	145½	31½	182½
Dec	245½	38	209½	50½	173½	63½	142½	83	112½	103½	87½	128½	66	158	49½	192½
Mar†			300	101			241½	140½			186½	186			142	242

Calls 4,006 Puts 1,875

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
Sep	174½	3	128½	5	81½	10	42½	20½	17	45	5½	83½	1	129	1	178
Oct	186	17½	145½	26	109½	40	78½	58½	54	83½	34½	114	28½	149½	11	190
Nov			167½	39½			101	72½			54	124½			25	194
Dec			189	54			125½	89			76	138			42	202½
Jun†			241	82½			181	120			132	168			92½	225½

Calls 1,296 Puts 215 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500		3550		3600		3650		3700		3750		3800		3850	
Sep											74	27	46	48½	26	78½

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	5,300	84½	-¼
Abbey National†	2,800	426	+6
Albert Fisher	43	50	
Allied-Lyons†	424	613	
Anglian Water	208	586	+19
Argos	28	357	-3
Argyll Group†	4,700	298	+6
Arjo Wiggins†	2,800	273	+6
Assoc. Brit. Foods†	61	655	+3
Assoc. Brit. Ports	1,200	282	-1
BAA†	643	501	

FT - SE Actuaries Share Indices — The UK Series

	Sep 5	Day's chge%	Sep 2	Sep 1	Aug 31	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3241.5	+0.6	3222.7	3216.5	3251.3	3059.0	3.87	6.73	17.53	90.23	1221.66
FT-SE Mid 250	3788.7	+0.2	3781.3	3794.3	3816.6	3475.7	3.25	5.48	21.91	89.03	1406.79
FT-SE Mid 250 ex Inv Trusts	3794.3	+0.2	3785.4	3801.2	3820.8	3493.3	3.39	5.93	20.41	91.77	1405.32
FT-SE-A 350	1634.1	+0.5	1626.1	1625.0	1640.7	1532.3	3.73	6.44	18.38	43.68	1259.81
FT-SE SmallCap	1912.12	......	1911.89	1910.54	1908.90	1785.77	2.96	4.11	31.14	38.21	1478.86
FT-SE SmallCap ex Inv Trusts	1876.84	+0.1	1875.87	1874.38	1870.52	1796.65	3.14	4.56	28.64	39.14	1465.19
FT-SE-A ALL-SHARE	1620.76	+0.5	1613.37	1612.27	1628.64	1519.21	3.68	6.28	18.93	42.74	1270.98

■ FT-SE Actuaries All-Share

	Sep 5	Day's chge%	Sep 2	Sep 1	Aug 31	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2802.01	+0.7	2781.79	2749.51	2773.91	2329.90	3.24	5.05	24.86	54.71	1116.45
12 Extractive Industries(4)	4027.51	+0.2	4020.76	3998.27	4012.21	3412.20	3.16	5.00	25.05	54.24	1089.08
15 Oil, Integrated(3)	2762.46	+0.8	2740.36	2708.04	2727.80	2232.50	3.33	5.42	22.96	59.99	1124.96
16 Oil Exploration & Prod(11)	1948.35	+1.2	1925.59	1917.34	1952.54	1988.00	2.48	1.26	80.00†	20.34	1117.11
20 GEN MANUFACTURERS(264)	2050.45	+0.4	2041.94	2043.42	2058.15	1913.00	3.69	4.58	26.70	52.06	1040.25
21 Building & Construction(32)	1211.93	+0.7	1203.86	1201.38	1204.85	1158.70	3.19	4.37	29.49	21.47	942.10
22 Building Matls & Merchs(31)	2025.82	+0.5	2016.67	2017.93	2029.73	1806.30	3.63	3.96	31.48	46.51	948.90
23 Chemicals(22)	2508.45	+0.1	2506.04	2516.77	2524.87	2236.90	3.70	4.05	31.15	72.57	1109.89

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	589	37	–	–	9	–	–
(*612)	638	12	–	–	34½	–	–
Argyll	280	25½	32	36	6	13	17½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	240	21	24½	27½	4½	8	12
(*253)	260	8½	13½	17	13½	18	22
Lasmo	154	12	–	–	9½	–	–

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	55	14
Other Fixed Interest	0	5	10
Mineral Extraction	45	75	78
General Manufacturers	134	123	387
Consumer Goods	32	40	115
Services	115	83	304
Utilities	20	14	11
Financials	67	100	201
Investment Trusts	50	121	296
Others	25	58	26
Totals	489	674	1442

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 5	Settlement	December 8

Calls: Alliance Res, Bk Ireland, Bluebird Toys, John Mansfield, Radius. Puts: Bk Ireland. Puts & Calls: Abbey National.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	25.8	100	92	§Aromascan	96		-	-	-	-
-	F.P.	20.1	89	80	Baillie G Shn Wrts	80	-1	-	-	-	-
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	-
-	F.P.	1.79	48	43	Do. Warrants	47		-	-	-	-
165	F.P.	74.1	173	165	Chamberlain Ph.	168		W7.3	1.0	5.5	21.8
-	F.P.	1.04	1½	1	Cont'l Foods Wrts	1	-½	-	-	-	-
120	F.P.	12.5	133	118	Copyright Prom.	125		uN1.0	2.8	1.0	44.8
-	F.P.	32.2	94	91	INVESCO Jpn Disc	92		-	-	-	-
-	F.P.	3.33	50	42	Do. Warrants	47½	-½	-	-	-	-
-	F.P.	-	77	63	JF Fl Japan Wrts	65		-	-	-	-
-	F.P.	21.7	52	35	§Magnum Power	52		-	-	-	-
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
-	F.P.	0.60	17	5½	Do. Warrants	17		-	-	-	-
-	F.P.	1.26	40	39	Petroceltic	40		-	-	-	-
150	F.P.	181.1	162	157	Pillar Property Inv	160		LN3.7	-	2.9	-
-	F.P.	4.44	44	36	Suter Wrts 99/04	38	-3	-	-	-	-
100	F.P.	3.81	105	97	TR Euro Gth Ptg	105		-	-	-	-
-	F.P.	2.40	35	29	Tops Ests Wrts	30		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
32	Nil	3/10	1½pm	½pm	Raglan Props	1pm	

FINANCIAL TIMES EQUITY INDICES

	Sep 5	Sep 2	Sep 1	Aug 31	Aug 30	Yr ago	*High	*Low
Ordinary Share	2512.2	2506.2	2509.4	2535.0	2539.9	2396.8	2713.6	2240.6
Ord. div. yield	4.07	4.09	4.07	4.03	4.02	3.85	4.46	3.43
Earn. yld. % full	5.85	5.87	5.86	5.80	5.79	4.55	5.95	3.82
P/E ratio net	18.26	18.24	18.27	18.44	18.48	28.07	33.43	17.89
P/E ratio nil	18.89	18.84	18.87	19.05	19.09	25.92	30.80	16.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2498.2	2495.5	2499.0	2506.9	2506.1	2510.4	2510.0	2501.6	2511.3	2512.2	2492.5

	Sep 5	Sep 2	Sep 1	Aug 31	Aug 30	Yr ago
SEAQ bargains	29,703	28,859	29,323	31,643	35,520	26,285
Equity turnover (£m)†	-	1493.9	1656.0	1527.8	1218.8	811.4
Equity bargains†	-	32,636	34,122	35,026	38,374	32,375
Shares traded (mil)†	-	540.7	667.9	583.2	463.2	402.0

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅞	—	£25¾	£20[illegible]	6,662	5.1	ϕ
ANZ A$		186	-2	278¼	179¼	2,502	5.1	28.1
Abbey National	†N□	425xd	+6	523	381	5,589	4.6	14.3
Allied Irish I£	♣†N□	263xd	+6	314	234	1,739	4.8	10.1
Anglo Irish I£	M□	62	—	*70	50	232.4	8.9	11.3
Asahi Y		742	-13½	818¾	628	17,219	0.8	ϕ
Banco Bil Viz Pta		£15⅛	-⅛	£18⅞	£14[illegible]	3,606	5.5	6.7
Banco Sant Pta		£25¾	—	*£30½	£23¾	3,948	5.5	9.1
Bk Ireland I£	♣□	291	+4	*319	240	1,375	4.5	8.4
Bank Scotland	♣N□	220	+2½	247	172½	2,468	3.0	17.2
9¼pc Pf		112¼	-½	141½	112¼	112.8	10.3	–
9¼pc Pf		118¼	-½	148½	118¼	118.2	10.3	–
Barclays	♣†N□	556xd	+9	640	487	9,080	3.5	18.4
Dai Ichi Kan Y		£11[illegible]	[illegible]	£12[illegible]	£10[illegible]	35,267	0.5	–
Deutsche DM		£287[illegible]	[illegible]	£344¼	£270[illegible]	14,158	2.3	–
Espirito Santo		£10½	[illegible]	*£13[illegible]	£9[illegible]	224.5	3.7	5.2
First Nat Fin	N□	68½	—	*90	60	117.3	2.7	–
6.3pc Cv Pf		77	—	*98	77	5.18	10.2	–
7pc Cv Pf		127	+1½	171	123	60.3	6.9	–
Fuji Bank Y		1392¼	-59½	1649¼	1152½	40,348	0.4	ϕ
HSBC HK	†N□	764xd	+7	1133	680	13,370	4.0	11.1
HSBC (75p Shs)	†N□	744xd	+6	1113	660	6,324	4.1	10.8
Lloyds	†N□	573xd	+9	690	519	7,426	5.0	11.3
Mitsubishi Y		£16[illegible]	[illegible]	£18[illegible]	£15¾	47,844	0.3	ϕ
Mits Tst & Bk Y		817¼	-39¼	1162¼	687½	10,986	0.6	14.2
Mitsui Tst & Bk Y		698	-44½	879	514	8,384	0.8	22.9
Nat Aust A$	†	507	-8	620¼	469¼	6,786	5.6	10.6
NatWest	†N□	503xd	+9	622	421	8,575	4.8	9.4
Ottomano FFr		£21⅛	—	£33	£21¾	186.2	6.8	ϕ
Ryl Bk Scotland	♣†N□	424	—	528	377½	3,472	3.5	19.8

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1080)F
13 Charlotte Sq, Edinburgh

[illegible]

Whittingdale Unit Tst Mngmt Ltd

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG

[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

[illegible]

Baring Investment Mngmt Ltd

[illegible]

CAF – Charity Money Management
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114

[illegible]

CIS Unit Trust Managers Ltd

[illegible]

Cent. Bd. of Fin. of Church of England‡
2 Fore Street, London EC2Y 5AQ 071–588 1815

[illegible]

Chargeguard UK Equity Fd/Fixed Int Fd

[illegible]

INSURANCES

[illegible]

Acuma Life Assurance Ltd
42 Southwark Bridge Road, London SE1 9HE 071 980 3433

[illegible]

AEGON Life Assurance Co (UK) Ltd

[illegible]

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Century Life International Ltd - Contd.

DBS Financial Management Ltd

Fairmount Financial Services Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

MANAGEMENT SERVICES

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Swedish krona stumbles

Fears of a weak minority government following elections on September 18 yesterday undermined the Swedish krona, *writes Philip Gawith.*

The polls showed that the opposition Social Democrats (SPD) might fail to win an outright majority, lessening the prospects of a yes vote in the November referendum to join the European Union.

A poll in Finland, which votes in October on EU membership, also showed a move towards an anti-EU vote. Both currencies weakened as a result. Traders said there was evidence of small scale intervention from the Finnish central bank to support the currency.

The Swedish krona closed in London at SKr4.94, from SKr4.905 on Friday, against the D-Mark.

Market activity was generally very subdued with US markets closed for the labour day holiday. The dollar showed no sign of recovering from its three pfennig fall on Friday, trading in a very narrow range to close at DM1.5537 from DM1.5602. Against the yen it finished at Y99.25 from Y99.395.

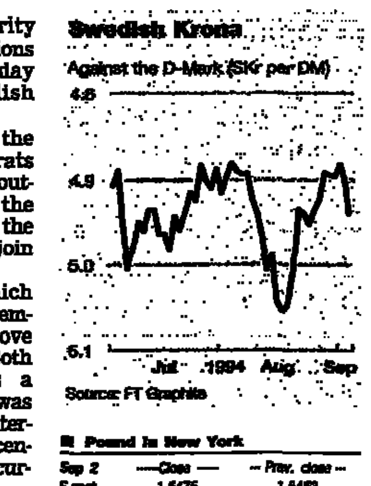
The counterpart of a weaker dollar was generalised D-Mark strength. It closed at L1,011 against the Italian lira from L1,009.

Sterling also had an uneventful day, with the trade weighted index finishing at 78.9 from 78.8.

■ Swedish markets were disturbed by two opinion polls which showed the Green and the Left parties making progress at the SPD's expense ahead of the election.

Financial markets are concerned at whether a new government will be able to cut the mushrooming debt/GDP ratio, estimated by Citibank to be 93 per cent of GDP. The krona recently stabilised when the SDP released details of a proposed SKr61bn austerity package, but its ability to implement these measures would be hampered if it lacked an outright majority.

Traders are predicting that currency volatility is likely to continue until the election and the EU referendum, on November 16, are out of the way.



Source: FT Graphite

■ **Pound in New York**

Sep 2	Close	Prev. close
£ spot	1.5475	1.5453
1 mth	1.5473	1.5451
3 mth	1.5456	1.5433
1 yr	1.5329	1.5308

■ Markets will be keeping an eye on the meeting today of the EU monetary committee, and a meeting later in the week of EU finance ministers, where the problem of countries with high deficits will be discussed.

Mr Jeremy Hawkins, senior economic adviser at the Bank of America, comments: "The meetings have refocused the market towards those currencies that are weakened on the public finance front." The tendency, he said, has been towards selling the currencies of countries which combined high fiscal deficits with forthcoming elections (Sweden) or political instability (Italy).

The outlook for sterling is, for different reasons, also affected by EU issues. With controversy having sprung up again about the possibility of a multi-speed Europe, traders are focusing on a keynote speech prime minister John Major will be giving later this week in the Netherlands.

Mr Hawkins said the market wanted to hear Mr Major affirm that the UK belonged at the core of Europe. He said sterling would come under pressure if the prime minister was seen accepting second division status for the currency.

Also important for sterling will be the monthly monetary meeting tomorrow between the chancellor, Mr Kenneth Clarke, and the governor of the Bank of England, Mr Eddie George.

Mr Mark Austin, treasury strategist at Midland Global Markets, said expectations of a change in policy were low following good inflation data, a fall in house prices and weak car sales recently. If rates were to rise, this would be a surprise to the market, which would probably lend support to sterling. If policy stayed on hold, said Mr Austin, sterling's fate would be likely to remain in the hands of the dollar.

■ The general expectation is that today's quarterly Tankan survey of business conditions by the Bank of Japan will show that the Japanese economy is in the early stages of recovery. What this will mean for the yen is less clear. Some analysts argue that a recovering economy will suck in more imports, curb the trade and current account surpluses, causing the yen to weaken.

Others warn that the trade surplus is unlikely to decrease before the end of the year, partly because of stronger than expected exports and firm overseas demand. Further, economists at New Japan Securities in London argue that the combination of stimulatory fiscal policy and high real interest rates is the classic recipe for keeping a currency overvalued. They predict the yen at Y97.50 against the dollar at the end of year.

■ The Bank of England provided UK money markets with £75m late assistance. Earlier it had provided £110m liquidity, at established rates, after forecasting a £400m shortage.

In Germany call money rates rose to 4.90/5 per cent from 4.85/4.95 per cent. With the repo rate fixed at 4.85 per cent for a further two weeks, after six weeks at this level already, traders said they were scaling back their expectations of when a rate cut could be expected.

■ **OTHER CURRENCIES**

Sep 5	£	$
Hungary	165.568 - 165.777	106.970 - 107.070
Iran	2696.00 - 2699.00	1748.00 - 1750.00
Kuwait	0.4608 - 0.4617	0.2976 - 0.2982
Poland	35429.1 - 35502.5	22890.0 - 22930.0
Russia	3444.50 - 3460.00	2225.00 - 2235.00
U.A.E.	5.6774 - 5.6889	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9225	-0.1432	159 - 291	17.0799	16.8092	16.9182	0.3	16.9083	0.4	-	-	115.4
Belgium	(BFr)	49.5609	-0.1029	451 - 766	49.5820	49.4860	49.5259	0.8	49.5759	-0.1	49.3559	0.4	116.9
Denmark	(DKr)	9.4874	-0.0389	843 - 905	9.5118	9.4633	9.4946	-0.9	9.5142	-1.1	9.5485	-0.6	116.9
Finland	(FM)	7.8251	+0.0318	161 - 341	7.8370	7.7770	-	-	-	-	-	-	84.0
France	(FFr)	8.2402	-0.0242	372 - 431	8.2481	8.2257	8.2438	-0.5	8.2445	-0.2	8.2075	0.4	110.3
Germany	(DM)	2.4062	-0.0049	042 - 081	2.4105	2.4016	2.4052	0.0	2.4025	0.4	2.3747	1.3	126.4
Greece	(Dr)	365.727	-2.928	590 - 863	367.191	363.581	-	-	-	-	-	-	-
Ireland	(I£)	1.0105	+0.0019	100 - 110	1.0122	1.0080	1.0109	-0.5	1.0123	-0.7	1.018	-0.7	104.4
Italy	(L)	2431.21	-1.62	043 - 199	2433.16	2424.97	2438.21	-3.5	2450.71	-3.2	2512.21	-3.3	75.4
Luxembourg	(LFr)	49.5609	-0.1029	451 - 766	49.5820	49.4860	49.5259	0.8	49.5759	-0.1	49.3559	0.4	116.9
Netherlands	(Fl)	2.6987	-0.0054	978 - 995	2.7020	2.6954	2.6989	-0.1	2.6969	0.4	2.664	1.3	120.9
Norway	(NKr)	10.5562	-0.0156	529 - 594	10.6057	10.5440	10.5532	0.3	10.5637	-0.3	10.5497	0.1	86.4
Portugal	(Es)	245.567	-1.624	450 - 684	245.916	245.361	247.287	-8.5	250.477	-8.0	-	-	-
Spain	(Pta)	200.024	-0.176	914 - 133	200.296	199.737	200.464	-2.6	201.289	-2.5	204.044	-2.0	85.9
Sweden	(SKr)	11.8826	+0.0621	749 - 903	11.8970	11.7928	11.9041	-2.2	11.9546	-2.4	12.1751	-2.5	73.8
Switzerland	(SFr)	2.0218	-0.0042	211 - 225	2.0267	2.0187	2.0204	0.8	2.016	1.1	1.9838	1.9	121.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.9
Ecu	-	1.2808	-0.0021	801 - 815	1.2825	1.2792	1.2815	-0.7	1.2821	-0.4	1.2818	-0.1	-
SDR†	-	0.841157	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5463	+0.0039	459 - 466	1.5491	1.5433	-	-	-	-	-	-	-
Brazil	(R)	1.3770	+0.0083	760 - 780	1.3897	1.3689	-	-	-	-	-	-	-
Canada	(C$)	2.1127	+0.0012	120 - 134	2.1168	2.1106	2.1121	0.4	2.1123	0.1	2.1121	0.0	86.8
Mexico	(New Peso)	5.2355	+0.0072	308 - 402	5.2406	5.2291	-	-	-	-	-	-	-
USA	($)	1.5481	+0.0033	478 - 483	1.5510	1.5450	1.5479	0.2	1.5461	0.5	1.5334	0.9	62.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0936	+0.0132	925 - 946	2.0988	2.0854	2.0935	0.0	2.0949	-0.2	2.1131	-0.9	-
Hong Kong	(HK$)	11.9630	+0.0286	603 - 657	11.9852	11.9391	11.9581	0.4	11.958	0.2	11.965	0.0	-
India	(Rs)	48.5623	+0.1035	506 - 740	48.6510	48.4710	-	-	-	-	-	-	-
Japan	(Y)	153.644	+0.103	542 - 746	153.758	152.800	153.334	2.4	152.449	3.1	147.804	3.8	189.3
Malaysia	(M$)	3.9606	+0.0091	492 - 520	3.9569	3.9405	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5856	+0.0129	830 - 881	2.5704	2.5561	2.5895	-1.8	2.5773	-1.8	2.5996	-1.3	-
Philippines	(Peso)	40.7525	+0.0482	750 - 300	41.0325	40.4650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8059	+0.0124	046 - 071	5.8166	5.7947	-	-	-	-	-	-	-
Singapore	(S$)	2.3216	+0.005	206 - 229	2.3258	2.3172	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5308	+0.0048	287 - 329	5.5432	5.5192	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0049	-0.0006	883 - 215	7.0226	6.9779	-	-	-	-	-	-	-
South Korea	(Won)	1240.22	+3.26	994 - 050	1242.51	1237.72	-	-	-	-	-	-	-
Taiwan	(T$)	40.5389	+0.0057	287 - 500	40.6075	40.4848	-	-	-	-	-	-	-
Thailand	(Bt)	38.6849	+0.0384	532 - 765	38.7330	38.6100	-	-	-	-	-	-	-

†SDR rates for Sep 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.9315	-0.116	290 - 340	10.9560	10.9100	10.9315	0.0	10.9313	0.0	10.8565	0.7	104.4
Belgium	(BFr)	32.0150	-0.135	100 - 200	32.0600	31.9320	32.04	-0.9	32.065	-0.6	32.175	-0.5	106.0
Denmark	(DKr)	6.1286	-0.037	276 - 296	6.1474	6.1248	6.1351	-1.3	6.1561	-1.8	6.2336	-1.7	105.0
Finland	(FM)	5.0548	+0.0098	498 - 598	5.0715	5.0283	5.0548	0.0	5.0623	-0.6	5.1248	-1.4	78.9
France	(FFr)	5.3230	-0.027	219 - 240	5.3330	5.0283	5.3259	-0.7	5.3322	-0.7	5.2925	0.6	106.4
Germany	(D)	1.5537	-0.0065	533 - 540	1.5580	1.5501	1.5539	-0.2	1.554	-0.1	1.5497	0.3	107.1
Greece	(Dr)	236.250	-2.4	200 - 300	237.400	234.750	236.55	-1.5	237.225	-1.7	240.025	-1.6	69.2
Ireland	(I£)	1.5320	+0.0004	315 - 325	1.5371	1.5279	1.531	0.8	1.527	1.3	1.5065	1.7	-
Italy	(L)	1570.50	-4.4	025 - 075	1571.00	1565.80	1575.05	-3.5	1585.5	-3.8	1641.5	-4.5	75.9
Luxembourg	(LFr)	32.0150	-0.135	100 - 200	32.0600	31.9320	32.04	-0.9	32.065	-0.5	32.175	-0.5	106.0
Netherlands	(Fl)	1.7433	-0.0072	430 - 435	1.7490	1.7392	1.7436	-0.2	1.7437	-0.1	1.7395	0.2	105.7
Norway	(NKr)	6.8190	-0.0247	180 - 200	6.8570	6.8075	6.8215	-0.4	6.834	-0.9	6.751	1.0	96.5
Portugal	(Es)	158.630	-1.39	580 - 680	158.950	158.360	159.58	-7.2	161.255	-6.6	168.63	-6.3	95.4
Spain	(Pta)	129.210	-0.39	160 - 260	129.470	128.960	129.515	-2.8	130.145	-2.9	133.14	-3.0	80.8
Sweden	(SKr)	7.6759	+0.0238	721 - 796	7.6934	7.6274	7.6954	-3.0	7.7359	-3.1	7.9459	-3.5	79.3
Switzerland	(SFr)	1.3061	-0.0054	058 - 063	1.3090	1.3030	1.3054	0.6	1.3039	0.7	1.2943	0.9	106.3
UK	(£)	1.5481	+0.0033	478 - 483	1.5510	1.5450	1.5479	0.2	1.5461	0.5	1.5334	0.9	87.1
Ecu	-	1.2278	+0.0045	273 - 283	1.2300	1.2251	1.2269	0.8	1.2251	0.9	1.2174	0.8	-
SDR†	-	1.45164	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9989	+0.0004	988 - 989	0.9989	0.9984	-	-	-	-	-	-	-
Brazil	(R)	0.8895	+0.0095	890 - 900	0.8960	0.8890	-	-	-	-	-	-	-
Canada	(C$)	1.3648	-0.0021	645 - 650	1.3668	1.3645	1.3654	-0.5	1.3671	-0.7	1.3803	-1.1	83.3
Mexico	(New Peso)	3.3820	-0.0025	795 - 845	3.3845	3.3790	3.383	-0.4	3.3848	-0.3	3.3922	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3524	+0.0056	519 - 528	1.3545	1.3490	1.3527	-0.2	1.3534	-0.3	1.3607	-0.6	87.5
Hong Kong	(HK$)	7.7278	+0.0007	273 - 283	7.7283	7.7272	7.7276	0.0	7.7283	0.0	7.7433	-0.2	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	99.2500	-0.145	000 - 000	99.3000	98.8000	99.06	2.3	98.6	2.6	96.395	2.9	148.0
Malaysia	(M$)	2.5520	+0.0005	515 - 525	2.5540	2.5495	2.5428	4.3	2.5315	3.2	2.605	-2.1	-
New Zealand	(NZ$)	1.6573	+0.0048	559 - 586	1.6598	1.6537	1.6583	-0.7	1.6601	-0.7	1.6654	-0.5	-
Philippines	(Peso)	26.3250	-0.025	500 - 000	26.5000	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7508	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.4998	-	993 - 003	1.5003	1.4995	1.4985	1.1	1.4986	0.9	1.4898	0.7	-
S Africa (Com.)	(R)	3.5728	-0.0045	720 - 735	3.5835	3.5595	3.5883	-5.2	3.6166	-4.9	3.6933	-3.4	-
S Africa (Fin.)	(R)	4.5250	-0.01	150 - 350	4.5350	4.5100	4.5587	-9.0	4.6175	-8.2	-	-	-
South Korea	(Won)	801.150	+0.4	100 - 200	801.500	801.100	804.15	-4.5	807.65	-3.2	826.15	-3.1	-
Taiwan	(T$)	26.1858	-0.0522	815 - 900	26.1965	26.1815	26.2058	-0.9	26.2458	-0.9	-	-	-
Thailand	(Bt)	24.9765	-0.0285	730 - 800	24.9850	24.9730	25.049	-3.5	25.1765	-3.2	25.6565	-2.7	-

†SDR rate for Sep 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 2. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	16.63	4.853	2.038	4905	5.446	21.31	495.4	403.6	23.97	4.080	2.018	4.264	3.123	309.9	2.544
Denmark	(DKr)	52.24	10	8.686	2.535	1.065	2562	2.845	11.13	258.8	210.8	12.52	2.131	1.054	2.227	1.632	161.9	1.329
France	(FFr)	60.15	11.51	10	2.919	1.226	2950	3.275	12.82	297.9	242.7	14.42	2.454	1.214	2.564	1.879	186.4	1.530
Germany	(DM)	20.61	3.945	3.426	1	0.420	1011	1.122	4.391	102.1	83.16	4.940	0.841	0.416	0.879	0.644	63.87	0.524
Ireland	(I£)	49.07	9.393	8.158	2.381	1	2407	2.672	10.46	243.1	198.0	11.76	2.002	0.990	2.092	1.533	152.1	1.249
Italy	(L)	2.039	0.390	0.339	0.099	0.042	100.	0.111	0.434	10.10	8.227	0.489	0.083	0.041	0.087	0.064	6.318	0.052
Netherlands	(Fl)	18.36	3.515	3.053	0.891	0.374	900.7	1	3.913	90.98	74.10	4.402	0.749	0.371	0.783	0.574	56.91	0.467
Norway	(NKr)	46.93	8.984	7.803	2.277	0.956	2302	2.556	10	232.5	189.4	11.25	1.915	0.947	2.001	1.466	145.5	1.194
Portugal	(Es)	20.19	3.864	3.356	0.980	0.411	990.2	1.099	4.301	100.	81.47	4.839	0.824	0.407	0.861	0.631	62.57	0.514
Spain	(Pta)	24.78	4.744	4.120	1.203	0.505	1216	1.350	5.280	122.8	100.	5.940	1.011	0.500	1.057	0.774	76.80	0.631
Sweden	(SKr)	41.72	7.986	6.936	2.024	0.850	2046	2.272	8.889	206.6	168.4	10	1.702	0.842	1.779	1.303	129.3	1.061
Switzerland	(SFr)	24.51	4.692	4.075	1.189	0.500	1202	1.335	5.223	121.4	98.91	5.875	1	0.495	1.045	0.766	75.96	0.624
UK	(£)	49.56	9.487	8.240	2.405	1.010	2431	2.699	10.56	245.5	200.0	11.88	2.022	1	2.113	1.548	153.6	1.261
Canada	(C$)	23.45	4.490	3.900	1.138	0.478	1150	1.277	4.998	116.2	94.65	5.622	0.957	0.473	1	0.733	72.69	0.597
US	($)	32.02	6.129	5.323	1.554	0.652	1570	1.744	6.822	158.6	129.2	7.674	1.306	0.646	1.365	1	99.22	0.815
Japan	(Y)	322.7	61.76	53.65	15.66	6.576	15827	17.57	68.75	1598	1302	77.34	13.16	6.510	13.76	10.08	1000.	8.210
Ecu		39.30	7.523	6.534	1.907	0.801	1928	2.140	8.374	194.7	158.6	9.421	1.603	0.793	1.676	1.228	121.8	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6354	0.6426	+0.0080	0.6434	0.6310	31,680	96,406
Dec	0.6345	0.6427	+0.0080	0.6435	0.6312	5,355	17,458
Mar	-	0.6434	+0.0079	0.6436	0.6424	80	2,899

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7556	0.7652	+0.0094	0.7655	0.7503	16,846	36,169
Dec	0.7571	0.7665	+0.0094	0.7669	0.7518	867	5,664
Mar	-	0.7686	+0.0092	0.7670	-	1	59

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100 (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.0044	1.0101	+0.0056	1.0102	0.9988	15,106	58,048
Dec	1.0093	1.0168	+0.0056	1.0170	1.0050	943	11,524
Mar	1.0195	1.0241	+0.0057	1.0235	1.0195	16	1,751

■ **STERLING FUTURES** (IMM) £62,500 per £ (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5452	1.5468	+0.0010	1.5500	1.5362	16,979	34,183
Dec	1.5390	1.5438	+0.0010	1.5460	1.5340	1,384	2,823
Mar	-	1.5408	+0.0010	1.5450	1.5350	21	184

EMS EUROPEAN CURRENCY UNIT RATES

Sep 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14656	-0.00471	-2.28	5.58	-
Germany	1.94964	1.91382	-0.00391	-1.84	5.10	-
Belgium	40.2123	39.4056	-0.0674	-2.01	5.28	15
Ireland	0.808628	0.803088	+0.005221	-0.69	3.88	5
France	6.53883	6.55353	-0.00965	0.22	2.94	-2
Portugal	192.854	195.472	+0.012	1.36	1.79	-9
Denmark	7.43679	7.55892	-0.00648	1.64	1.50	-11
Spain	154.250	159.138	+0.078	3.17	0.00	-22
NON ERM MEMBERS						
Greece	264.513	290.861	-0.364	9.96	-6.18	-
Italy	1793.19	1931.61	+7.72	7.72	-4.22	-
UK	0.786749	0.795569	+0.006955	1.12	2.03	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound) (Sep 2)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	9.44	9.32	9.32	-	-	0.06
1.475	6.92	6.96	7.06	-	0.05	0.25
1.500	4.46	4.71	5.00	0.21	0.28	0.66
1.525	2.24	2.77	3.24	1.09	0.83	1.38
1.550	0.65	1.41	1.95	2.95	1.90	2.51
1.575	0.10	0.59	1.05	5.31	3.52	4.04

Previous day's vol., Calls 9,139 Puts 9,366 . Prev. day's open int., Calls 595,157 Puts 427,056

WORLD INTEREST RATES

MONEY RATES

September 5	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4¾	5⅛	5¼	5¾	6¼	7.40	4.50	-
week ago	4¾	5⅛	5⅜	5⅝	6⅛	7.40	4.50	-
France	5⅜	5½	5¾	5⅞	6¼	5.00	-	6.75
week ago	5⅜	5½	5¾	5⅞	6¼	5.00	-	6.75
Germany	4.90	4.95	4.95	5.02	5.33	6.00	4.50	4.85
week ago	4.55	4.95	4.95	5.02	5.33	6.00	4.50	4.85
Ireland	4⅝	5½	6¼	6⅝	7¼	-	-	6.25
week ago	4⅝	5½	6¼	6⅝	7¼	-	-	6.25
Italy	8½	8¼	8⅝	9½	10½	-	7.50	8.45
week ago	8½	8¼	8⅝	9⅜	10½	-	7.50	8.45
Netherlands	4.84	4.85	5.01	5.14	5.48	-	5.25	-
week ago	4.84	4.95	4.98	5.11	5.42	-	5.25	-
Switzerland	3¾	4⅛	4¼	4½	4⅞	6.625	3.50	-
week ago	3¾	4⅛	4¼	4½	4⅞	6.625	3.50	-
US	4¾	4⅞	4⅞	5¼	5¾	-	4.00	-
week ago	4⅞	4⅞	4⅞	5¼	5¾	-	4.00	-
Japan	2¼	2½	2¼	2⅛	2⅜	-	1.75	-
week ago	2¼	2½	2¼	2⅛	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4¾	5	5⅛	5⅝	-	-	-
week ago	-	4¾	5	5⅛	5⅝	-	-	-
US Dollar CDs	-	4.65	4.80	5.07	5.58	-	-	-
week ago	-	4.65	4.80	5.06	5.60	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅞; 6 mths: 6¼; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4⅞	5⅛ - 5	5½ - 5⅜	5⅞ - 5¾	6⅜ - 6¼
Danish Krone	5¼ - 4⅞	5⁵⁄₁₆ - 5³⁄₁₆	6 - 5⅞	6⅜ - 6¼	7¼ - 7	7⁹⁄₁₆ - 7⁷⁄₁₆
D-Mark	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5 - 4⅞	5⅛ - 5	5⁷⁄₁₆ - 5⁵⁄₁₆
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5³⁄₁₆ - 4¹⁵⁄₁₆	5⅛ - 5¹⁄₁₆	5¹¹⁄₁₆ - 5⅝
French Franc	5⅜ - 5¼	5⁷⁄₁₆ - 5⁵⁄₁₆	5½ - 5⅜	5⅝ - 5½	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6⅜ - 6¼
Portuguese Esc.	12⅛ - 11⅞	10½ - 10	11½ - 11	11⅝ - 11¼	11¾ - 11¼	11¹³⁄₁₆ - 11⁵⁄₁₆
Spanish Peseta	7⅝ - 7⅜	7⅝ - 7⅜	7⅝ - 7⅜	8 - 7¾	8⅜ - 8⅛	9 - 8¾
Sterling	5⅛ - 4⅞	4¹⁵⁄₁₆ - 4⅞	5³⁄₁₆ - 4¹⁵⁄₁₆	5½ - 5⁷⁄₁₆	6 - 5⅞	6¹⁵⁄₁₆ - 6¹³⁄₁₆
Swiss Franc	4 - 3⅞	4⅛ - 3⅞	4³⁄₁₆ - 4¹⁄₁₆	4⁵⁄₁₆ - 4³⁄₁₆	4½ - 4⅜	4¹⁵⁄₁₆ - 4¹³⁄₁₆
Can. Dollar	5⅛ - 5	5⅛ - 5	5⁵⁄₁₆ - 5³⁄₁₆	5⅝ - 5½	6¹⁄₁₆ - 5¹⁵⁄₁₆	6¹⁵⁄₁₆ - 6¹³⁄₁₆
US Dollar	4¹⁵⁄₁₆ - 4¹³⁄₁₆	4¹⁵⁄₁₆ - 4¹³⁄₁₆	4⅞ - 4¾	5 - 4⅞	5⅜ - 5¼	5¹⁵⁄₁₆ - 5¹³⁄₁₆
Italian Lira	9 - 7½	8⅞ - 8	8⅞ - 8¾	8¹⁵⁄₁₆ - 8¹³⁄₁₆	9½ - 9⅜	10½ - 10¼
Yen	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⁷⁄₁₆ - 2⅜	2½ - 2⁷⁄₁₆	2¾ - 2⅝
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 4⅜	4¾ - 4⅝	5⅜ - 5⅛	5¹⁵⁄₁₆ - 5¹³⁄₁₆

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.31	94.30	-0.03	94.32	94.28	5,718	43,173
Dec	93.68	93.61	-0.12	93.68	93.60	18,663	47,742
Mar	93.49	93.43	-0.13	93.49	93.41	6,464	28,625
Jun	93.16	93.12	-0.13	93.18	93.11	2,252	26,902

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.96	-0.01	94.97	94.97	50	2802
Dec	94.32	94.31	-0.02	94.32	94.32	36	1967
Mar	-	94.03	-0.01	-	-	0	1436
Jun	-	93.71	-0.02	-	-	0	334

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.98	94.97	-0.02	94.99	94.94	15722	133671
Dec	94.80	94.77	-0.02	94.81	94.75	31478	170861
Mar	94.42	94.42	-0.01	94.45	94.37	28757	165156
Jun	94.06	94.05	-0.04	94.09	94.02	12134	107697

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.80	91.00	+0.06	91.01	90.80	2196	21846
Dec	89.80	89.86	-0.02	89.95	89.73	3290	33704
Mar	89.20	89.31	-0.03	89.35	89.19	1788	18030
Jun	88.75	88.89	-0.01	88.93	88.75	374	13522

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.66	95.68	+0.02	95.70	95.65	1208	17101
Dec	95.26	95.28	-0.01	95.30	95.26	1372	15750
Mar	95.00	94.99	-0.03	95.03	94.98	595	11534
Jun	94.66	94.69	-0.04	94.70	94.66	20	5965

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.99	94.02	-	94.03	93.99	341	9278
Dec	93.47	93.44	-0.06	93.47	93.44	924	6949
Mar	93.10	93.05	-0.08	93.10	93.04	356	4111
Jun	92.70	92.64	-0.09	92.70	92.61	200	1715

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.95	94.96	+0.01	94.98	94.94	50,049	385,199
Dec	94.31	94.31	-	94.40	94.31	72,006	491,555
Mar	94.04	94.03	-0.01	94.13	94.02	52,548	381,859

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.38	95.37	-	95.42	95.37	1,407	12,053
Dec	94.86	94.87	+0.01	94.95	94.86	923	10,149
Mar	94.63	94.56	-	94.63	94.54	489	4,112

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9475	0.22	0.11	0.14	0.17	0	0.08	0.12	0.15
9500	0.03	0.03	0.05	0.07	0.06	0.26	0.28	0.30
9525	0	0.01	0.02	0.03	0.28	0.49	0.50	0.51

Est. vol. total, Calls 1350 Puts 6995. Previous day's open int., Calls 266019 Puts 187609

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.18	0.05	0.11	0	0.27	0.62
9575	0.02	0.02	0.06	0.09	0.48	0.82
9600	0	0.01	0.03	0.32	0.73	1.04

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2305 Puts 1755

UK INTEREST RATES

LONDON MONEY RATES

Sep 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4¾	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5⅛ - 4¹⁵⁄₁₆	5⅝ - 5⁷⁄₁₆	6⅛ - 5¹⁵⁄₁₆	6¹⁵⁄₁₆ - 6¹³⁄₁₆
Sterling CDs	-	-	5⅛ - 4¹⁵⁄₁₆	5½ - 5⁷⁄₁₆	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6¹³⁄₁₆ - 6¹¹⁄₁₆
Treasury Bills	-	-	4⅞ - 4¾	5⁷⁄₁₆ - 5⅜	-	-
Bank Bills	-	-	5 - 4¹⁵⁄₁₆	5½ - 5⅜	6¹⁄₁₆ - 5¹⁵⁄₁₆	-
Local authority deps.	5⅛ - 4¹⁵⁄₁₆	5⅛ - 4¹⁵⁄₁₆	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5⅝ - 5⅜	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6¹⁵⁄₁₆ - 6¹³⁄₁₆
Discount Market deps	5½ - 4½	4⅞ - 4¾	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3588pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.576pc. Finance House Base Rate 5½pc from Sep 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.32	+0.03	94.32	94.27	6687	87129
Dec	93.38	93.42	+0.02	93.43	93.36	17528	163885
Mar	92.66	92.67	-0.01	92.68	92.64	7769	71763
Jun	92.14	92.13	-0.03	92.15	92.11	2935	62916

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.18	0.04	0.03	0.11	0.87	1.61
9450	0.04	0.02	0.02	0.22	1.10	1.85
9475	0	0.01	0.01	0.43	1.34	2.09

Est. vol. total, Calls 12597 Puts 3345. Previous day's open int., Calls 347741 Puts 290612

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Coutts & Co [illegible]

Dao Heng Bank (London) PLC Premier Acc [illegible]

CAF Money Management Co Ltd [illegible]

The CBF Charities Deposit Account [illegible]

Cent. Bd. of Fin. of Church of England [illegible]

Fidelity Money Market Account [illegible]

Money Market Bank Accounts

Allied Trust Bank Ltd [illegible]

Julian Hodge Bank Ltd [illegible]

Humberclyde Finance Group [illegible]

American Express Bank Ltd [illegible]

Leopold Joseph & Sons Limited [illegible]

Arbuthnot Latham & Co Ltd [illegible]

Bank of Ireland High Interest Cheque Acc [illegible]

Lloyds Bank - Investment Account [illegible]

Midland Bank plc [illegible]

Bank of Scotland [illegible]

Barclays Select [illegible]

Barclays Prime Account H.I.C.A. [illegible]

Brown Shipley & Co Ltd [illegible]

Caledonian Bank Plc [illegible]

Cater Allen Ltd [illegible]

Charterhouse Bank Limited [illegible]

Clydesdale Bank [illegible]

The Co-operative Bank [illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 5 / Sch)

BELGIUM/LUXEMBOURG (Sep 5 / Frs.)

DENMARK (Sep 5 / Kr)

FINLAND (Sep 5 / Mka)

FRANCE (Sep 5 / Frs.)

GERMANY (Sep 5 / Dm.)

ITALY (Sep 5 / Lire)

NETHERLANDS (Sep 5 / Fl.)

NORWAY (Sep 5 / Kroner)

SPAIN (Sep 5 / Pta.)

SWEDEN (Sep 5 / Kronor)

SWITZERLAND (Sep 5 / Frs.)

PACIFIC

JAPAN (Sep 5 / Yen)

HONG KONG (Sep 5 / H.K.$)

MALAYSIA (Sep 5 / MYR)

SINGAPORE (Sep 5 / S$)

AUSTRALIA (Sep 5 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Sep 2 / Can $)

MONTREAL (Sep 2 / Can $)

Closed Sep 5

AFRICA

SOUTH AFRICA (Sep 5 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (yalig. a Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Monday, September 5, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.0m	377	–8	Ricoh	3.6m	960	–11
Asahi Chem	7.7m	807	+8	Toda Corp	3.2m	983	+15
Sumitomo Mtl	4.5m	340	–5	Kobe Steel	3.2m	331	–1
Kawasaki Steel	4.0m	430		NKK	3.1m	288	–6
Nissan	3.6m	760	–13	Mitsubishi Oil	2.8m	1100	–40

INDICES

	Sep 5	Sep 2	Sep 1	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	21012.14	21211.23	25478.40	16/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2095.5	2107.0	2105.5	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1072.9	1073.9	1073.6	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	419.96	423.20	424.46	460.66	2/2	398.97	22/6
Traded Index(2/1/91)	1135.66	1147.38	1151.34	1222.25	1/2	1011.38	8/6
Belgium							
BEL20 (1/1/91)	1472.62	1482.73	1479.04	1642.65	9/2	1393.96	13/7
Brazil							
Bovespa (29/12/83)	(u)	53675.0	54369.0	54369.00	1/9	3800.90	3/1
Canada							
Metals Mintx♦(1975)	(c)	4071.17	4068.32	4093.80	31/8	3259.06	20/4
Composite♦ (1975)	(c)	4344.20	4344.30	4609.90	23/3	3959.90	24/6
Portfolio§§ (4/1/83)	(c)	2076.48	2081.57	2182.89	1/2	1053.17	20/7
Chile							
IPGA Gen (31/12/80)	(u)	4821.0	4832.6	4867.80	4/2	3901.29	4/4
Denmark							
CopenhagenSE(3/1/83)	360.07	360.34	356.73	415.79	2/2	356.73	1/9
Finland							
HEX General(28/12/90)	1951.6	1961.2	1933.6	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1346.10	1358.42	1364.46	1585.20	2/2	1285.36	4/7
CAC 40(31/12/87)	1998.20	2020.37	2034.91	2355.93	2/2	1868.18	4/7
Germany							
FAZ Aktien(31/12/58)	824.29	831.88	828.58	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2343.9	2365.0	2356.1	2465.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2174.52	2204.71	2200.60	2271.11	16/5	1988.82	20/6
Greece							
Athens SE(31/12/80)	849.82	853.27	847.89	1194.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9862.04	9901.56	9880.90	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4510.75	4526.21	4542.76	4588.10	31/8	3454.09	5/1
Indonesia							
Jakarta Comp.(10/8/82)	519.42	515.56	512.71	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1941.27	1932.79	1915.50	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	673.24	685.03	686.01	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1088.0	1107.0	1109.0	1318.60	10/5	944.09	10/1
Japan							
Nikkei 225 (16/5/49)	20409.18	20653.83	20642.93	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	295.07	299.37	299.22	311.71	13/6	268.22	4/1
Topix (4/1/68)	1618.46	1641.14	1639.91	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2384.41	2405.05	2405.61	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1159.51	1160.88	1156.34	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2674.63	2693.61	2881.17	8/2	1967.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	444.7	445.8	443.6	454.80	31/1	408.30	21/6
CBS All Shr (End 83)	281.0	281.7	280.3	294.80	31/1	257.80	21/6
New Zealand							
Cap. 40 (1/7/86)	2178.51	2178.75	2187.02	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1108.30	1123.09	1119.19	1211.19	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	3104.30	3096.26	3079.39	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2951.0	2960.4	2957.1	3226.60	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	578.39	575.70	575.27	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2453.0♥	2402.0	2331.0	2458.00	5/9	1749.00	14/2
JSE Indl. (28/9/78)	6608.0♥	6586.0	6546.0	6757.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	969.61	944.52	949.23	974.28	2/2	858.37	2/4
Spain							
Madrid SE (30/12/85)	299.50	303.95	307.12	358.31	31/1	291.43	8/7
Sweden							
AffarsvardnGen (1/2/37)	1439.6	1468.2	1459.2	1603.90	31/1	1334.70	8/7
Switzerland							
Swiss Bk Ind (31/12/58)	1266.94	1268.08	1248.98	1422.34	31/1	1152.97	18/7
SBC General (1/4/87)	847.44	848.91	835.44	1083.28	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6888.32	7010.63	6974.15	7049.52	29/8	5184.83	19/3
Thailand							
Bangkok SET (30/4/75)	1531.30	1539.06	1525.84	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25941.6	25457.2	25795.7	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	641.4*	644.0	642.5	644.00	5/9	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1380.11	1401.86	1396.82	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1218.67	1227.31	1228.29	1311.01	2/2	1143.86	21/6
JCapelDrgns (31/12/88)	(u)	342.40	341.77	395.19	6/1	290.28	21/3
Barings Emerg.(7/1/92)	186.41	187.50	186.14	187.50	2/9	141.65	21/4

** Sat Sep 3 : Taiwan Weighted Price 6951.26; Korea Comp Ex 947.88. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 5 - 2178.80 -22.78

US INDICES

Dow Jones	Sep 2	Sep 1	Aug 31	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3885.58	3901.44	3913.42	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.18	98.04	98.17	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1627.96	1633.48	1642.22	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.55	185.67	189.16	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3928.64 (3927.39) Low 3871.98 (3871.66) (Theoretical♦)
Day's high 3918.92 (3913.42) Low 3880.72 (3887.84) (Actual♦)

Standard and Poors	Sep 2	Sep 1	Aug 31	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	470.99	473.17	475.49	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	553.27	555.93	558.19	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	46.18	46.36	46.59	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.93	260.98	261.99	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	455.54	454.02	454.34	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	758.23	758.95	765.62	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 2	Aug 26	Aug 19	Year ago
Dow Jones Ind. Div. Yield	2.63	2.64	2.73	2.80
	Aug 31	Aug 24	Aug 17	Year ago
S & P Ind. Div. yield	2.33	2.37	2.43	2.46
S & P Ind. P/E ratio	21.11	20.73	23.51	27.86

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index (Sep 2)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	473.60	471.55	-2.25	475.50	470.20	69,484	181,760
Dec	477.55	474.05	-2.30	477.85	472.80	15,750	62,541
Mar	480.40	477.15	-2.40	481.00	475.95	107	4,418

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	2009.0	2005.0	-20.0	2014.0	1996.0	20,168	40,146
Oct	2020.0	2015.0	-20.0	2020.5	1996.0	-	-
Dec	2039.0	2034.0	-20.0	2039.0	2034.0	1,897	8,054

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	3,890,500	6⅞	——
Limited	3,574,800	21¾	+1
Amer Express	3,009,300	29	+½
Amer Barrick	2,891,400	23⅛	+¼
Philip Morris	2,718,100	60¾	-½
Compaq	2,278,800	35	——
Lilco	2,231,100	16¼	-¼
Niag Mohawk	2,169,000	13⅛	——
Oxy Pete	2,056,900	21½	——
Amer T & T	2,029,200	29¾	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 2	Sep 1	Aug 31
New York SE	213.883	280.443	357.582
Amex	13.897	14.528	18.826
NASDAQ	294.767	284.767	293.789
NYSE			
Issues Traded	2,829	2,873	2,873
Rises	940	844	1,216
Falls	1,068	1,298	946
Unchanged	821	731	711
New Highs	47	48	85
New Lows	26	29	18

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

EUROPE

Bourses savaged by interest rate bears

While US markets were closed for the Labor Day holiday yesterday, European bourses were hit by last Friday afternoon's falls in treasuries in New York, as well as by ongoing weakness in the dollar, *writes Our Markets Staff.*

FRANKFURT saw its main falls in the interest rate-sensitive financials as the Dax index fell 30.19 to 2,174.52 on the session, touching 2,163.30 in the post-bourse before recovering to close at an Ibis-indicated 2,173.60.

Turnover fell from DM6.1bn to DM4.7bn. Among the financials, Allianz lost DM48 at DM2,440, Deutsche Bank DM12 at DM719.50 and Bayernverein DM12.50 at DM448.

A Goldman Sachs study said that German government bond yields were set to rise because of accelerating economic growth, a likely rise in official rates in the first quarter of 1995 and heavy new supply. Yesterday, the Bundesbank's average *bond yield* rose by 9 basis points to 7.19 per cent.

However, at the same time, fund managers in Germany were detecting a light shift towards debt from shares, saying that the benign inflation *outlook should* overcompensate for the likely end in the short term to Bundesbank rate cuts, while shares – which rose by nearly 11 per cent in July and August – appeared unprepared for the next stage in the economic cycle.

Wall Street and Toronto were closed yesterday for the Labor Day holiday

In this context, it seemed odd that the day's main blue chip winner was Viag, utility based and rate-sensitive. However, *there was talk of a big* buying order in the stock for US, or at least foreign consumption.

PARIS saw the CAC 40 index breach 2,000, and hit 1,978.54 before it closed 22.17 lower at 1,998.20. One or two banks were savaged, Suez losing FFr5 at FFr263 and BNP FFr5.90 at FFr253.70, but there was just as much pain in industrials: *Bouygues lost FFr15 at FFr632,* Peugeot FFr18 at FFr846 and Air Liquide FFr15 at FFr748.

The retailer Casino found itself aptly named after trading was resumed following an early suspension. The company said that it planned to change its legal status from partnership to public limited company, and this, at a time of transnational bid talk in the supermarket business, saw the shares hit FFr175 before closing FFr6.40 up at FFr170.

MADRID's general index fell through 300, bottoming at 297.50 before it ended 4.45, or 1.5 per cent, lower at 299.50.

Selective interest rate-sensitives lost ground, Argentaria Pta160 at Pta5,100 in banks and Endesa Pta150 at Pta5,430 in utilities, but here, too, industrials kept pace, with Repsol Pta95 off at Pta4,030 and Telefónica down Pta30 at Pta1,755.

In construction, Agroman fell Pta88, or 15 per cent, to a 1994 low of Pta500 after a simi*lar loss on Friday; heavier* first-half losses last week were followed yesterday by a mooted capital reduction scheme.

ZURICH saw further foreign demand early in the day before activity slowed in the absence of US demand during the afternoon, leaving shares slipping back from their best levels. The SMI index finished 2.5 *higher at 2,674.5 after a peak of* 2,690.5.

Roche certificates added another SFr85 at SFr6,355, while UBS bearers picked up SFr4 to SFr1,203 amid foreign buying after last week's optimistic earnings outlooks.

However, Nestlé gave up SFr4 to SFr1,233 and BBC bearers eased SFr7 to SFr1,197.

Sulzer put on SFr4 at SFr940 on news that its Sulzer Hydro division had won a SFr54m contract to provide Francis turbines to India.

MILAN remained under pressure, the Comit index falling 11.79, or 1.7 per cent, to 673.23, with blue chips leading the decline. Turnover picked up from recent levels, but it was still low.

Among the biggest losers, Telecom Italia fell L150, or 3 per cent, to L4,440 and Gener*ali was L1,000, or 2.4 per cent,* lower at L40,700. BCI gave up L125, or 3.4 per cent, to L3,550, with the bank's rights plummeting 14.8 per cent to L484.7.

Olivetti, heavily sold last week, fell another L50, or 2.3 per cent, to L2,090. Cir, its holding company, gave up L100, or 4.5 per cent, at L2,100.

AMSTERDAM was deflated by the US holiday, softer bonds *and slight pressure on the dol*lar. The AEX index closed 1.17 down at 417.97.

Heineken lost Fl 1.80 at Fl 241.00 ahead of results, and analysts noted that BolsWessanen, another drinks group, turned in unexpectedly poor figures last week.

STOCKHOLM dived with its debt market after opinion polls pointed to the weakness of the *opposition SDP party, and the* risks implicit in minority government after the general election in 12 days' time.

The Affärsvärlden General index fell 28.60, or 1.95 per cent, to 1,439.60. Astra A lost SKr6 at SKr180 on profit-taking, and the banking and insurance index dropped by 3.5 per cent.

TEL AVIV celebrated today's Jewish New Year holiday with the seventh consecutive rise in the Mishtanim index, which closed 5.75, or 3.1 per cent, higher at 192.19.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Sep 6 — THE EUROPEAN SERIES

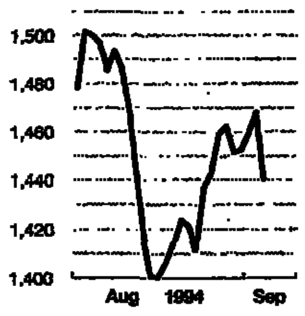
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1387.25	1388.55	1388.93	1387.71	1387.47	1385.49	1379.80	1380.11
FT-SE Eurotrack 200	1440.59	1443.31	1444.12	1443.54	1444.16	1442.41	1436.81	1438.12

	Sep 2	Sep 1	Aug 31	Aug 30	Aug 26
FT-SE Eurotrack 100	1401.66	1398.82	1405.52	1401.90	1385.89
FT-SE Eurotrack 200	1451.57	1450.09	1460.56	1459.43	1449.56

Base 1000 (26/10/90): High/day: 100 - 1389.40; 200 - 1445.20 Low/day: 100 - 1379.77 200 - 1436.65 † Partial

Sweden

Affärsvärlden index



Source: FT Graphite

N Ireland peace hopes boost Dublin

By William Cochrane

The FT-Actuaries World Index came out virtually unchanged last week but, across the world, there were some big individual market movements.

Europe's best performer was Ireland, one of the smallest stock markets in Europe, and up by 4.5 per cent in local currency terms after a 3.5 per cent gain the week before. In its current EuroLetter, Morgan Stanley acknowledges that the announcement of an IRA ceasefire and the hopes for peace in Northern Ireland could only be good for the whole island.

However, Mr Richard Davidson, the bank's European strategist, bases his argument for Ireland's equity market mainly on the transformation of Irish economic performance in recent years. "We believe that the combination of an attractive valuation and a remarkable economic story, plus respectable profit growth, more than outweighs the historic investor worries about low liquidity and a restricted sector choice," *he maintains.*

Another smaller market, Finland, was Europe's next best performer, its 4.1 per cent gain taking it to a rise of 26.8 per cent for this year so far, against a 3.7 per cent fall for Europe, excluding the UK.

Goldman Sachs believes that the Helsinki market remains attractive, and its analysts Mr Anders Braténius and Mr Klas Andersson forecast a further 20 per cent gain over the next 12 months; they expect continuously strong earnings with a stronger Finnish Marka being the only material risk for earnings disappointments.

They say the macro picture is improving in Finland. Positive factors include strong growth ahead as the effect of booming exports spreads into domestic activities, subdued inflation and scope for declining long-term interest rates. On the distaff side, they note a very high unemployment rate, and weak public finances.

Europe's biggest fall of the week, 2.4 per cent, was in Spain. Ms Clare Miles at Kleinwort Benson notes that the Madrid market was making good progress in July and at the beginning of August, but that the Swedish and Italian official interest rate rises on *July 10 left the outlook for further interest rate cuts in Spain* looking precarious.

Ms Miles advises a reduction in interest rate-sensitive stocks in Spain, and a switch into cyclicals.

Mr Marcus Grubb, the Salomon Brothers strategist, says the broker's Spanish equity research team has reduced its year-end target for the Madrid General index from 365 to 325, a rise of only 5.8 per cent from last Friday's level, and that *Salomon has reduced its* weighting in Spanish equities in favour of German and Swiss shares.

In the Pacific Basin, Hong Kong topped the ratings with a rise of 5.8 per cent on the week. Nomura's global strategy team of Mr Nicholas Knight and Ms Alison Southey have moved 4 per cent of their equity allocation out of Tokyo and into Hong Kong.

They take the view that, in the US, long rates have not yet peaked and the dollar still has further to go on the downside. "The Dow, moreover, should be pressured by concerns with regard to earnings and higher bond yields," they say.

In Europe, they reckon that the global interest rate environment will continue to put pressure on equities; and in Japan, that the stock market is vulnerable to a renewed burst of dollar weakness, and strength in the yen.

"Only South East Asia wins as far as we can see," they declare, "as concerns with regard to the upward march in US short-term rates ameliorate. The biggest winner from this is Hong Kong."

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+1.41	+0.94	+5.75	-4.46	+0.99	+5.45
Belgium	+1.09	-0.87	+8.60	-3.21	+4.24	+8.85
Denmark	-0.13	-6.79	+2.48	-5.64	-0.41	+3.99
Finland	+4.11	+6.69	+45.65	+28.79	+39.38	+45.54
France	-1.44	-3.61	-3.97	-9.60	-4.45	-0.22
Germany	+1.99	+0.85	+11.89	-4.19	+6.40	+6.63
Ireland	+4.50	+3.20	+16.35	+6.80	+15.84	+16.08
Italy	-0.53	-2.97	+6.60	+11.77	+21.24	+21.49
Netherlands	+0.22	+0.46	+11.11	-1.38	+9.20	+9.42
Norway	-0.16	-1.66	+14.10	+5.34	+10.86	+15.76
Spain	-2.44	-6.18	-1.74	-8.59	-3.46	+0.80
Sweden	+1.26	+0.45	+15.76	+6.03	+15.26	+15.50
Switzerland	+2.86	+2.45	+9.82	-8.20	-0.45	+3.95
UK	-1.18	+1.67	+5.11	-5.11	-5.11	-0.92
EUROPE	-0.06	+0.07	+6.10	-4.29	-0.80	+3.80
Australia	+1.21	+0.47	+8.22	-2.13	+6.85	+7.08
Hong Kong	+5.84	+3.78	+38.37	-17.36	-17.53	-17.36
Japan	+0.33	-0.46	-2.59	+12.85	+26.45	+26.71
Malaysia	+3.79	+6.58	+40.17	-9.40	-4.54	-4.34
New Zealand	+4.78	+4.32	+10.77	+2.95	+11.14	+11.37
Singapore	+1.91	+2.28	+19.44	-6.84	-0.26	-0.05
Canada	+1.05	+4.58	+9.42	+3.09	-4.37	-0.14
USA	-0.58	+2.90	+1.94	+1.21	-3.07	+1.21
Mexico	-3.26	+3.08	+40.49	+2.76	-9.69	-5.70
South Africa	+0.76	+2.79	+52.26	+20.74	+9.38	+14.21
WORLD INDEX	+0.07	+1.18	+3.33	+2.28	+3.53	+8.11

† Based on September 2nd 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

ASIA PACIFIC

Nikkei retreats as Shanghai surges 13.7%

Tokyo

Arbitrage unwinding and profit-taking by corporate investors depressed share prices, while trading volume declined as many institutional investors remained inactive ahead of the listing of Japan Telecom shares, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average *ended 244.65, or 1.2 per cent, off* at 20,409.18 after a high of 20,645.23 and low of 20,395.98.

Traders said investors were worried about the expensive public offering price of JT at Y4.7m, while some analysts feared that investors might sell other shareholdings to buy JT stock. Selling to realise profits ahead of the interim book closing by most corporations had *already finished. However,* many banks, which need to offset write-offs for bad loans, were expected to continue to do so until the end of the month.

Volume fell to 272m shares from 355m. Some investors chose not to trade, citing the Labor Day holiday in New York. The Topix index of all first section stocks declined *22.68 to 1,618.46 and the Nikkei* 300 shed 4.30 to 295.07. *Losers* led gainers by 824 to 205, with 147 issues unchanged. In London the ISE/Nikkei 50 index eased 0.84 to 1,317.82.

Bearishness over JT prompted declines in the telecommunication sector. Nippon Telegraph and Telephone, the leading telecom operator, dropped Y24,000, or 2.6 per cent, to Y906,000, while DDI, a second section company, receded Y27,000 to Y971,000.

Earnings-linked trading was also evident. Think tanks affiliated with the leading brokers release corporate earnings outlooks later this week, and investors are expected to boost trading in individual companies with earnings revisions.

Fears of lower earnings at Capcom, a video game maker, hurt the whole sector. The stock weakened Y500 to Y2,750, while Sega Enterprises retreated Y480 to Y6,420 on selling by overseas investors.

Machine tool producers, on the other hand, were higher on hopes of increased capital spending. Okuma climbed Y42 to Y958 and Ikegai Y9 to Y428.

Steelmakers were actively traded but lost ground on profit-taking. Nippon Steel, the day's most active issue, slipped Y8 to Y377 and Sumitomo Metal Industries Y5 to Y340.

In Osaka, the OSE average dipped 181.06 to 22,718.31 in volume of 85.3m shares.

Roundup

Fortunes were mixed in the Pacific Rim.

SHANGHAI's A share index surged 13.7 per cent in extremely active trading as institutions, major individual shareholders and small investors launched a buying spree, their confidence boosted by news that Beijing was pressing ahead with a plan to invite foreign funds into the domestic A *share market.*

The index gained 116.98 at 973.48 in record turnover of *Yn15.5bn, topping the previous* record of Yn12.80bn on August 11. In Shenzhen, the A share index soared 35.07, or 19.8 per cent, to 212.62.

Shanghai's B index closed 3.30, or 4.2 per cent, up at 82.17 in heavy volume of 10.6m shares and the Shenzhen B index rose 0.78 points to 115.59.

SEOUL put on 2.3 per cent in active trading on expectations *of a market rally by the end of* the year. The composite index ended 21.73 higher at 969.61. Volume totalled 40.6m shares, against a previous 36.02m.

HONG KONG was firmer but below the psychologically important 10,000 level after a sharp, but unexpected, rally that drove the Hang Seng index up to a peak of 10,064.86 ran out of steam.

The index was finally 60.48 ahead at 9,962.04, while the H share index climbed a more *modest 5.91 to 1,381.62.*

Brokers said foreign investors, particularly US and Japanese funds, spearheaded the buying spree, while many local investors sought to sell into strength and take profits.

TAIPEI lost 1.2 per cent in late selling on news that the August consumer price index rose to a higher than expected 7.1 per cent, prompting con*cern that the central bank may* move further to tighten monetary policy.

The weighted index finished 84.93 off at 6,866.32, after a day's high of 6,966.21, in turnover of T$63.4bn.

SYDNEY was lower in thin volume following Wall Street's modest fall on Friday and with investors hesitant to trade ahead of the Labor Day holiday *in the US.*

The All Ordinaries index closed 11.5 down at 2,095.5.

WELLINGTON *finished flat,* the NZSE-40 capital index losing 2.24 at 2,176.51, after recovering from an intraday low of 2,162.53, in NZ$38.4m turnover.

SINGAPORE was consolidating after last week's gains and the Straits Times Industrial index eased 2.55 to 2,328.06.

Keppel closed 20 cents up at S$11.50 after news that it was joining a consortium to bid for *a mobile phone licence.*

KUALA LUMPUR was mixed to slightly lower following a final push by traders which forced the market up from the day's lows during the last hour. The KLSE composite index ended a mere 1.37 softer at 1,159.51.

JAKARTA found unexpectedly strong support from local and foreign investors and the *official index moved forward* 3.86 to 519.42.

Brazil plunges 8.6% as minister quits

São Paulo plunged 8.6 per cent in heavy midday trading as investors sold on concern that Mr Fernando Henrique Cardoso's presidential candidacy would be damaged by the resignation of Mr Rubens Ricupero as economy minister, *writes Michael Morgan.*

The Bovespa index fell 4,630 to 49,045 at 1300 local time in turnover of R$216.5m ($243.5m), but foreign selling was said to be limited by the Labor Day holiday in the US.

In earlier London trading, Brazilian stocks traded as ADRs were marked as much as 10 per cent lower from the prices at which they had closed on Friday on Wall Street.

Mr Robert Barclay of Baring Securities commented that uncertainty about any action by the electoral authority, over whether to permit Mr Cardoso's candidature to continue, would overhang the market *until a decision was* announced.

He expected the market to fall by as much as 20 per cent over the next two weeks, especially as it was already looking for an excuse to take profits.

Mr Barclay added that he still expected the PSDB party to recover from the crisis and for Mr Cardoso to be elected as president, which would prompt a sharp market rebound in share prices before the end of the year.

Telebras saw its preferred stock drop 7.1 per cent to R$48 as analysts warned that it could fall further to R$47.50. Petrobras preferred lost 7.0 per cent at R$153.50, while Eletrobras preferred were quoted down 8.6 per cent at R$340.

Firm golds help S Africa to extend recent gains

Johannesburg was broadly firmer as investors overcame fears of profit-taking and stocks extended recent gains in mostly steady trade. The US Labor Day holiday did little to dampen enthusiasm, while a static bullion price proved no inhibition to demand for gold shares.

A decision by motor assembly workers, on strike for the last five weeks, to return to work from *tomorrow* gave late support to industrials, which had lagged behind the market for most of the day.

The gold shares index climbed 51 to 2,453 after a 71-point advance on Friday. The overall index was 41 ahead at 5,956 and industrials added 22 at 6,608, having rebounded from an early low of 6,572.

De Beers was R2 higher at R107, Anglos put on R2 at R260 and Gencor firmed 50 cents to R14.75. Against the trend, SAB lost 50 cents at R86.75 and Barlows shed 25 cents to R33.75.

Iscor was 16 cents stronger at R4.48 in a continued bullish reaction to year-end results.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 2 1994								THURSDAY SEPTEMBER 1 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	178.68	0.0	171.47	112.26	144.93	180.03	0.0	3.45	178.73	172.02	112.60	146.53	159.97	189.15	139.24	147.51
Austria (17)	195.06	0.1	187.20	122.55	158.22	159.12	-0.4	1.00	194.91	187.59	122.79	159.80	159.75	195.41	164.64	175.47
Belgium (37)	177.04	1.2	169.90	111.23	143.60	140.36	0.3	3.84	174.88	168.32	110.18	143.38	139.99	177.04	143.62	147.84
Canada (104)	135.60	-0.1	130.13	85.19	109.99	134.21	-0.1	2.50	135.72	130.63	85.51	111.27	134.42	145.31	120.54	127.59
Denmark (33)	257.07	1.4	246.71	161.52	208.52	215.58	0.6	1.38	253.48	243.96	159.69	207.82	214.36	275.79	223.94	227.03
Finland (24)	179.30	3.0	172.07	112.65	145.44	189.84	2.1	0.74	174.05	167.52	109.65	142.70	185.94	179.30	104.28	104.73
France (97)	175.57	0.3	168.49	110.31	142.41	147.34	-0.6	2.99	175.01	168.44	110.25	143.48	148.16	185.37	159.34	168.44
Germany (58)	149.54	1.4	143.51	93.96	121.30	121.30	0.3	1.70	147.51	141.97	92.93	120.93	120.99	149.54	124.39	126.67
Hong Kong (56)	404.39	0.2	388.09	254.08	328.02	401.18	0.2	3.05	403.59	388.46	254.26	330.90	400.42	506.56	292.08	295.67
Ireland (14)	214.99	1.9	206.33	135.08	174.39	197.79	1.2	3.20	210.92	203.01	132.88	172.93	195.38	214.99	161.54	169.25
Italy (59)	83.33	0.0	79.97	52.36	67.60	98.01	-0.4	1.58	83.36	80.23	52.52	68.35	98.44	97.78	57.88	77.08
Japan (469)	164.89	0.3	158.25	103.60	133.75	103.60	0.0	0.74	164.40	158.24	103.57	134.79	103.57	170.10	124.54	198.97
Malaysia (97)	565.85	0.3	543.04	355.52	458.99	556.04	0.1	1.49	564.00	542.86	355.32	462.42	555.51	621.63	392.03	404.17
Mexico (18)	2251.68	-0.3	2160.87	1414.70	1826.39	8332.18	-0.4	1.60	2258.37	2173.66	1422.76	1851.55	8366.85	2647.06	1615.11	1743.68
Netherland (27)	217.87	1.6	209.09	136.89	176.73	174.07	0.5	3.30	214.49	206.44	135.12	175.85	173.18	217.87	180.25	185.40
New Zealand (14)	75.63	1.4	72.58	47.52	61.35	66.36	1.1	3.60	74.57	71.78	46.98	61.14	65.67	77.59	59.22	62.21
Norway (23)	207.95	1.4	199.56	130.65	168.67	193.17	0.5	1.71	205.05	197.36	129.18	168.12	192.23	211.74	165.52	173.36
Singapore (44)	367.33	0.0	352.52	230.79	297.96	253.88	0.0	1.67	367.26	353.49	231.38	301.11	253.92	378.92	285.31	267.19
South Africa (59)	305.12	0.8	292.81	191.70	247.49	302.44	0.9	2.09	302.77	291.41	190.74	248.23	299.78	305.44	176.93	191.42
Spain (42)	140.47	-0.3	134.81	88.26	113.94	137.92	-1.1	4.18	140.85	135.57	88.73	115.48	139.49	155.79	128.88	137.70
Sweden (36)	226.80	1.8	217.66	142.50	183.97	256.92	1.0	1.56	223.30	214.92	140.68	183.08	254.41	231.35	175.83	183.61
Switzerland (47)	166.46	2.4	159.75	104.59	135.02	135.35	1.4	1.79	162.63	156.53	102.46	133.34	133.50	176.56	135.70	136.96
United Kingdom (204)	203.16	0.4	194.97	127.65	164.79	194.97	0.1	3.86	202.29	194.70	127.44	165.86	194.70	214.96	181.11	187.79
USA (517)	192.21	-0.5	184.46	120.76	155.90	192.21	-0.5	2.82	193.11	185.87	121.66	158.33	193.11	196.04	178.95	186.54
EUROPE (718)	176.01	0.9	168.91	110.58	142.76	157.98	0.2	2.94	174.50	167.96	109.93	143.07	157.68	178.58	153.98	157.18
Nordic (116)	221.44	1.8	212.51	139.13	179.62	214.10	1.1	1.36	217.59	209.43	137.08	178.39	211.88	222.03	173.19	174.66
Pacific Basin (748)	174.72	0.3	167.68	109.78	141.73	114.72	0.0	1.05	174.24	167.70	109.77	142.85	114.67	176.66	134.79	163.18
Euro-Pacific (1466)	175.14	0.5	168.07	110.04	142.06	131.94	0.1	1.65	174.22	167.69	109.76	142.84	131.80	175.14	143.88	160.60
North America (621)	188.69	-0.5	181.08	118.55	153.05	188.21	-0.5	2.80	189.56	182.44	119.42	155.41	189.07	192.73	175.67	184.77
Europe Ex. UK (514)	157.58	1.1	151.22	99.01	127.82	136.25	0.2	2.38	155.83	149.99	98.17	127.76	135.95	158.12	134.97	137.72
Pacific Ex. Japan (279)	270.05	0.2	259.16	169.67	219.05	240.10	0.1	2.70	269.54	259.43	169.81	220.99	239.77	298.21	200.13	204.81
World Ex. US (1647)	176.65	0.5	169.52	110.98	143.28	135.69	0.1	1.87	175.76	169.17	110.73	144.10	135.54	176.65	145.58	160.78
World Ex. UK (1960)	178.59	0.1	171.39	112.20	144.86	149.17	-0.1	2.02	178.35	171.66	112.36	146.22	149.35	178.59	155.96	167.20
World Ex. So. Af. (2105)	179.98	0.1	172.72	113.08	145.99	152.17	-0.1	2.20	179.70	172.96	113.21	147.33	152.33	180.03	158.54	169.00
World Ex. Japan (1695)	191.32	0.1	183.60	120.20	155.18	182.38	-0.1	2.82	191.12	183.95	120.40	156.69	182.65	195.20	174.04	176.41
The World Index (2164)	180.76	0.2	173.47	113.57	146.62	153.27	-0.1	2.20	180.47	173.70	113.69	147.96	153.42	180.80	158.85	169.02

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Amendments to Pound Sterling Index, Yen Index and DM Index for 2/9/94 applied to Australia, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Netherlands, New Zealand, Singapore, Sweden and United Kingdom. Please note: Prices indicators for Thai stocks, see International Companies News page, are to be amended.